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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 282 **November, 1983**

Business in Virginia October, 1983 Data

On a year-ago basis business in Virginia did better in October than September, although not in all cases. Bank Debits to demand deposits, popularly known as checking account transactions (checks cashed) rose 17.4 percent in October and only 11.9 percent in September. This is a positive direction toward par, which is around increases of 20.0-23.0 percent.

Of the seventeen cities surveyed certain ones did very well: Bristol, Cape Charles-Exmore, Charlottesville, Fredericksburg, Harrisonburg, Lynchburg, and Winchester.

Building permits jumped a 74.4 percent increase on a year-earlier basis, in October but only 6.4 percent in September. This was extraordinary, as it exceeds the ten-month average for the state in 1983.

Electricity consumed rose 10.0 percent in October over same month of last year. It is difficult to explain this. In August there was a substantial increase, mostly because of the heat and hence air-conditioning. September appeared likewise to be so constituted. But now comes October and the heat has abated. It is possible that the wheels of business and industry are turning faster and using more electricity and it is possible that Christmas lights are coming on earlier, but one wonders if this is enough to make a significant difference. More likely the real truth is that conditions a year ago were not all that great, and hence the comparison is overstated.

New car registration were up 23.5 percent over a year earlier. Virtually every city surveyed was up except Williamsburg, and Richmond exceeded them all with a 62.6 percent increase.

Nonagricultural employment came in at a rise of 2.4 percent. This is the largest increase in any one month all year. Such is the jobs market and most important to the economy of the Commonwealth. The ten-month average was only 0.9 percent in the up swing over a year ago.

Newspaper advertising linage ordinarily pushes retail sales especially if they are showing considerable strength in any one month. This time the advertising linage rose 7.9 percent, which is more than a ten year high. The reason for the large increase lies primarily at Winchester's door. These are their figures and they are convinced of their accuracy. The 107.9 percent increase sounds very high. If this is removed from the total calculation, then the summation comes in at 4.2 percent.

This makes more sense as to what happened to retail sales, which rose only 4.5 percent this October over that of a year earlier. One cannot help but wonder what kind of Thanksgiving and Christmas sales Virginia will have. Look at the downward drift (comparisons are with 1982, a year of recession): August, 10.0 percent; September, 8.5 percent; October, 4.5 percent.

Water consumption was up 2.5 percent and postal receipts rose 4.5 percent. —LET

(Continued on back page.)

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change October, 1983 from October, 1982

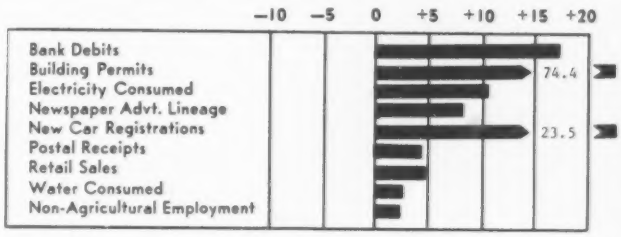
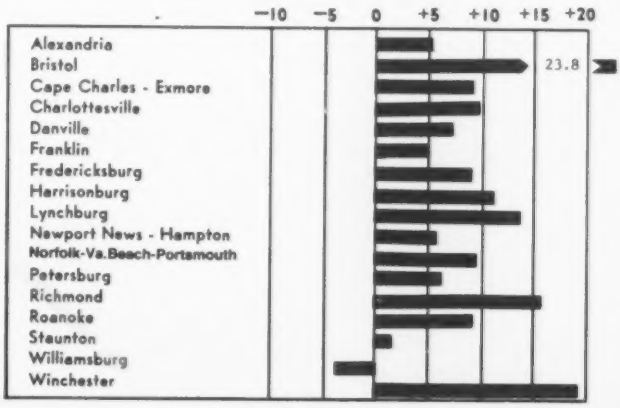


Chart II

City Indices

Percentage Change October, 1983 from October, 1982



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I October 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		299.1	244.9	108.1	114.8	104.4	113.9	91.9	140.0	177.5
Alexandria	211.0	816.3	936.8	110.2	N.A.	113.4	124.0	91.7	144.0	N.A.
Bristol	136.9	272.7	289.8	80.5	134.4	58.6	N.A.	89.6	133.0	197.4
Cape Charles - Exmore	125.9	191.3	197.4	100.0	N.A.	82.4	N.A.	N.A.	121.9	141.9
Charlottesville	170.9	237.5	187.8	104.6	N.A.	126.6	N.A.	120.8	192.6	199.8
Danville	131.3	N.A.	80.4	110.3	112.0	100.8	N.A.	87.2	163.6	149.3
Franklin	115.1	N.A.	9.2	100.2	120.8	100.9	N.A.	111.0	110.6	156.0
Fredericksburg	141.5	167.0	76.1	N.A.	135.1	140.5	N.A.	57.1	149.1	185.1
Harrisonburg	145.9	201.7	159.1	N.A.	117.8	65.9	N.A.	138.9	151.2	188.9
Lynchburg	167.2	198.4	304.1	103.6	N.A.	94.1	N.A.	121.2	124.0	448.5
Newport News - Hampton	121.6	183.6	248.4	94.5	76.4	88.7	121.0	114.5	138.7	N.A.
Norfolk - Va. Beach - Portsmouth	145.8	230.8	185.4	113.6	123.8	98.2	117.9	70.7	185.8	N.A.
Petersburg	116.6	166.6	14.8	N.A.	86.0	76.6	N.A.	99.2	122.0	138.3
Richmond	144.3	312.0	N.A.	121.4	117.1	120.5	114.1	99.9	128.0	174.2
Roanoke	133.8	268.3	37.2	86.1	141.9	70.3	108.0	100.0	126.6	183.3
Staunton	117.0	109.8	60.6	N.A.	84.4	74.6	N.A.	N.A.	129.8	160.7
Williamsburg	122.8	90.1	112.0	134.2	N.A.	81.7	N.A.	95.7	121.4	216.5
Winchester	148.8	318.8	115.9	113.0	183.4	68.4	N.A.	116.1	119.6	180.7

TABLE II October 1983

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Sept. RETAIL SALES ‡
The State		17.4	74.4	10.1	7.9	23.5	2.4	2.5	4.5	20.6
Alexandria	5.1	12.3	1041.1	7.9	N.A.	10.5	4.6	-9.3	5.0	21.2
Bristol	23.8	25.1	906.1	4.8	20.0	43.0	N.A.	35.7	20.7	20.1
Cape Charles - Exmore	8.9	38.6	-1.2	1.8	N.A.	17.1	N.A.	N.A.	-1.3	11.3
Charlottesville	9.3	33.6	-66.3	5.6	N.A.	18.0	N.A.	3.3	1.5	15.7
Danville	7.1	N.A.	113.7	6.3	3.3	45.6	N.A.	-4.2	-0.4	16.3
Franklin	5.0	N.A.	-49.2	10.3	3.6	28.9	N.A.	-2.7	-1.6	26.4
Fredericksburg	8.9	21.3	-68.1	N.A.	12.3	22.1	N.A.	-20.4	8.9	17.3
Harrisonburg	11.0	20.9	145.1	N.A.	17.4	14.0	N.A.	10.6	4.7	72.5
Lynchburg	13.4	25.6	347.9	7.8	N.A.	49.8	N.A.	6.8	1.2	7.8
Newport News - Hampton	5.2	11.0	140.5	5.4	-26.4	30.4	4.3	10.4	3.9	11.4
Norfolk - Va. Beach - Portsmouth	9.0	16.1	25.1	10.2	9.0	23.5	3.5	-0.9	6.4	20.3
Petersburg	5.9	3.9	164.0	N.A.	12.4	30.7	N.A.	1.6	-2.5	14.9
Richmond	15.4	15.8	134.1	22.1	11.6	62.6	1.5	5.2	6.6	21.7
Roanoke	8.5	28.6	-14.1	5.5	15.3	6.1	3.5	3.9	4.6	18.7
Staunton	1.5	10.9	-86.7	N.A.	1.1	3.5	N.A.	N.A.	-2.2	2.7
Williamsburg	-4.2	-36.7	-12.6	5.8	N.A.	0.0	N.A.	-3.8	1.5	13.0
Winchester	18.8	14.3	49.1	13.1	107.9	4.7	N.A.	3.3	2.4	30.6

TABLE III

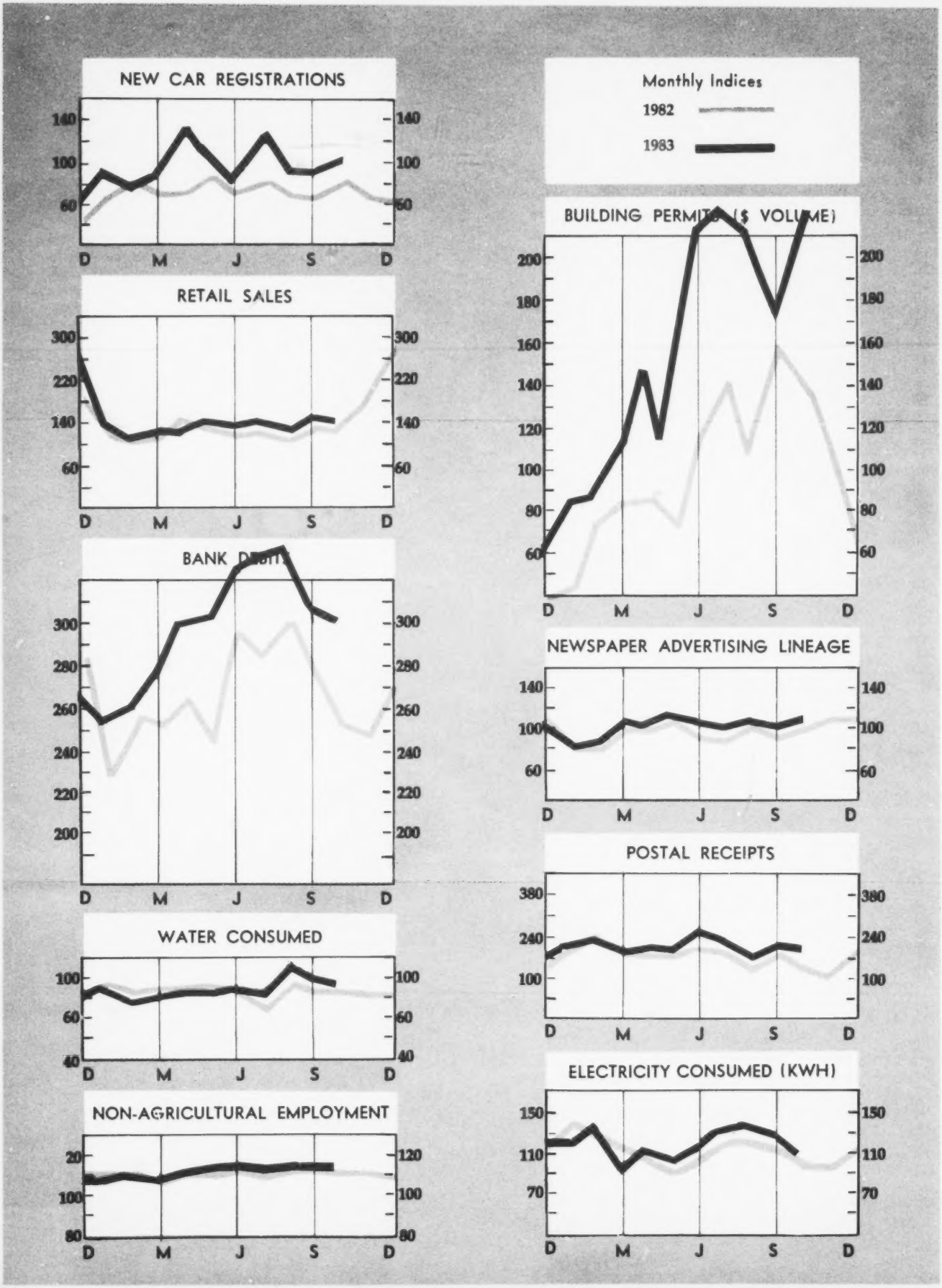
Percentage Change January - October from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Sept. RETAIL SALES
The State		14.8	54.6	5.7	6.8	23.0	0.9	0.8	10.2	13.5
Alexandria	9.4	-2.3	219.2	4.9	N.A.	23.9	3.8	0.7	14.8	16.8
Bristol	16.2	27.3	39.0	-0.4	1.8	39.0	N.A.	21.3	13.6	5.9
Cape Charles - Exmore	8.1	20.2	139.2	1.6	N.A.	28.7	N.A.	N.A.	-0.7	10.6
Charlottesville	11.6	26.3	-5.7	2.0	N.A.	28.6	N.A.	0.5	8.0	11.6
Danville	5.5	N.A.	5.0	6.6	10.5	50.9	N.A.	-6.2	-7.7	9.0
Franklin	1.0	N.A.	19.7	5.6	-0.1	12.8	N.A.	-4.4	-2.3	6.5
Fredericksburg	12.3	28.1	63.1	N.A.	10.6	26.0	N.A.	-26.7	16.0	19.3
Harrisonburg	9.9	23.1	230.7	N.A.	8.1	19.0	N.A.	6.2	4.3	51.7
Lynchburg	15.1	37.6	54.5	3.4	N.A.	42.0	N.A.	0.9	7.3	7.2
Newport News - Hampton	9.7	18.5	26.4	4.1	-2.8	20.7	3.9	6.3	12.3	10.8
Norfolk - Va. Beach - Portsmouth	12.0	25.3	51.4	4.6	8.6	23.8	2.5	-0.9	14.6	15.6
Petersburg	13.3	32.3	-15.8	N.A.	6.3	35.9	N.A.	1.5	5.7	14.8
Richmond	10.0	13.2	18.5	13.0	3.8	22.5	0.4	1.5	12.0	16.2
Roanoke	7.6	28.1	87.8	3.5	11.4	-5.3	1.7	0.6	9.5	12.6
Staunton	7.2	21.5	-13.3	N.A.	1.7	14.9	N.A.	N.A.	1.6	6.6
Williamsburg	0.8	-26.3	65.7	1.1	N.A.	27.2	N.A.	-5.9	3.2	14.7
Winchester	9.4	19.6	-2.9	4.4	23.0	28.1	N.A.	7.8	-2.6	21.0

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


NEW CAR REGISTRATIONS
140
100
60
D M J S D
RETAIL SALES
300
220
140
60
D M J S D
BANK DEBITS
300
280
260
240
220
200
D M J S D
WATER CONSUMED
100
60
40
D M J S D
NON-AGRICULTURAL EMPLOYMENT
120
100
80
D M J S D
Monthly Indices
1982
1983
BUILDING PERMITS ($ VOLUME)
200
180
160
140
120
100
80
60
D M J S D
NEWSPAPER ADVERTISING LINEAGE
140
100
60
D M J S D
POSTAL RECEIPTS
380
240
100
D M J S D
ELECTRICITY CONSUMED (KWH)
150
110
70
D M J S D

Who Makes The Things (Part II)

(This article was written by Chessie Professor of Business Administration Marvin M. Stanley, who teaches Transportation Management and Business Policy in The Business School's MBA degree program. It is the second in a two-part article about the ratio of goods-producing workers to providers of services in the economy.)

Much has been written and spoken about the changing nature of our society and the economy. We hear about automation, retraining of workers, Peter Drucker's "Age of Discontinuity," computers and the information explosion, post-industrial society, and on and on. Apparently, it is upon us with a vengence.

Regardless of how society changes, we all need things and we all want things. Whether they add up to some mythical "quality of life" is up to the philosophers; the fact remains we all like the ready availability of physical goods in our society. Where these goods are coming from, however, is most interesting.

In 1967, fifteen years ago, the nation's population stood at 198.7 million. Goods-producing workers were 12.5 percent of the total population. In 1982, with a population of 232.1 million, goods producing workers wre 10.5 percent and manufacturing workers were 7.8 percent.

As a matter of interest, during the 1967-1982 period employees in private enterprises grew from 54.1 million to 68.6 million, a growth rate of 1.6 percent per year. Government employees, at both federal and state and local levels, grew from 13.8 million to 16.1 million, an annual growth rate of 1.0 percent. Government may be too big. It depends on one's viewpoint. But, government employment has grown at a rate less than private enterprise employment over the past 15 years.

Like it or not we are a nation of consumers. In 1982 all of us spent $1,999.9 billion as personal consumption expenditures, of which 11.5 percent went for importation of non-agricultural items. This is not a completely precise picture, of course, for it is difficult to tell the ultimate destination of such imported goods. Some of them undoubtedly wound up as components of products with U.S. brand names at the time of final sale.

We hear much about the difficulty of American industry in competing with foreign producers, such as Japan, Inc. Whether preference for foreign goods is based on quality, on performanc, on esthetics, is immaterial. The fact is many of the things we need or want are being made abroad.

Is this an inexorable trend? It has been going on for 15 years. Is it dangerous? We do have an uncomfortably high unemployment rate, with many of the unemployed from industries we once dominated on a world-wide basis. Probably inexorable, possibly dangerous, unless American industry can significantly enhance its ability to compete.

Enhanced competitiveness, it seems to the author, rests upon two points: first, capital expenditures to make production labor more productive, that is technology; and second, investment in mind-power to operate the significantly-changed production base. The latter is what led to this two-part article.

Where do some of our brightest young business-trained minds turn for employment? Most of them go from academia to careers in finance, marketing, personnel, public relations, sales, etc. Not unimportant, of course, but somewhat outside of the mainstream of general, line management and out of the production sphere. The great majority tend to enter what are essentially staff and supporting areas of business activity. Frankly, that seems to be where business wants to use such young graduates and where they want to go. However, post-industrial society can only go so far in the trend towards more and more services in the GNP and staff in the business enterprise. Where that ultimate line should be drawn is not certain, but it is certain that someone still has to make things.

If the course offerings of the leading universities offering graduate business degrees are examined, it will be found that very few openly provide courses called simply, "Production." The essential and basic act of modern industry is disguised under "Control of Operating Systems," or some such title, taught with orientation toward quantitative analysis, rather than with emphasis upon basic production technology. If production, as such, is taught at all it is in engineering schools, but the ultimate managers tend to come from the business schools.

Also take a look at the proliferation of all sorts of specialists called staff in major business enterprises. Not only is the top level of management often effectively isolated from the actual production of the things the enterprise came into being to provide its customers; top management becomes so innundated with reports and digests and analyses that the information systems explosion just had to come into being. It, in itself, may tend to produce more and more data to be handled by more and more staff.

The author has lived in quasi-socialist countries and visited communist countries where the physical necessities and luxuries we take for granted are either severely limited or not available at all. This is not to say that such is the fate of free societies in a post-industrial era. It is to say that maybe we should all think about getting back to basics again, and not assume or hope that scarcity of things can't happen here as the result of becoming predominantly a nation of service providers rather than producers of all the things we all need and want. It can. It might, not as the result of our political system, but as the result of far too many of us heading in the wrong direction.

Some years ago, Barnard Baruch offered his sage advice for profit-making in investment. He said, "Buy low and sell high." Some of our bright young business-trained minds, and the companies that employ them, might consider a corollary: enter general management related to production at levels where others do not seem to want to go. That way probably holds greater future opportunity for them, and the business enterprises will be better for it. MMS

Prepared by the Bureau of Business Research
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REPORT

Report No. 237 December, 1983

Business in Virginia November, 1983 Data

In November all of the Virginia business indicators exceeded their November 1982 levels by very healthy margins, with the exception of water consumption, down 2.2 percent, and building permits, which only rose 1.9 percent. Since building permits are highly erratic month to month, this low increase should not be interpreted as the normal growth rate to expect. Therefore the overall State picture on the first anniversary of the current national recovery is a Virginia economy which has achieved strong growth. Compared to last November, we have retail sales (survey sample) up 8.8 percent; total spending as reflected by bank debits up 17.7 percent; new car registrations up 19.0 percent; and, most importantly, total non-agricultural employment up 2.4 percent. For employment, both the October and November increases were 2.4 percent over the last year, by far the largest monthly increases reported in 1983. This 2.4 percent growth in Virginia employment at first may not appear to be impressive, compared to the national increase of 3.6 percent since last November. But, remember that the Virginia unemployment rate in the fourth quarter of 1982 was about 8 percent, compared to the national rate of 10.7 percent. We started in much better shape and still achieved an increase of 51,500 jobs, a very substantial improvement.

The November evidence for retail sales and total spending is reinforced by the cumulative January through November percentage increases over last year, 10.1 percent for retail sales and 17.1 percent for bank debits. Even more impressive is the January through October 19.2 percent increase in total Virginia taxable retail sales. Every indication points to this momentum continuing through December. That will bring Virginia taxable retail sales for 1983 very close to the $26.0 billion level, compared to $21.8 billion in 1982.

In addition, the cumulative percent change for building permits was 47.3 percent for the first eleven months of 1983. The new car registrations were up 22.7 percent over a year earlier, and every city surveyed except Roanoke had double-digit increases, topped by the 49.3 percent increase in Danville. So, Virginia also shared very strongly in the nation's 1983 surge in new construction plans and automobile purchases.

The city indexes for January through November show all seventeen cities surveyed have shared at least to some extent in the State's recovery. The best performances, using a combination of the retail sales survey and employment gains, so far have tended to be in the Northern Virginia (Alexandria, Fredericksburg) and Hampton Roads areas. However, expect the gains to become more balanced as the recovery matures and its effects become more widely diffused throughout the State. RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change November, 1983 from November, 1982

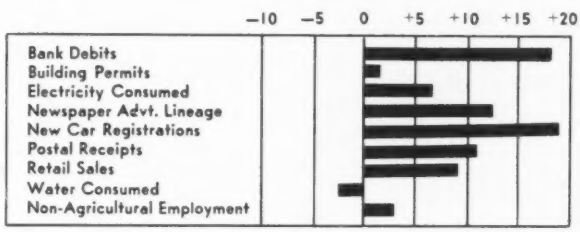
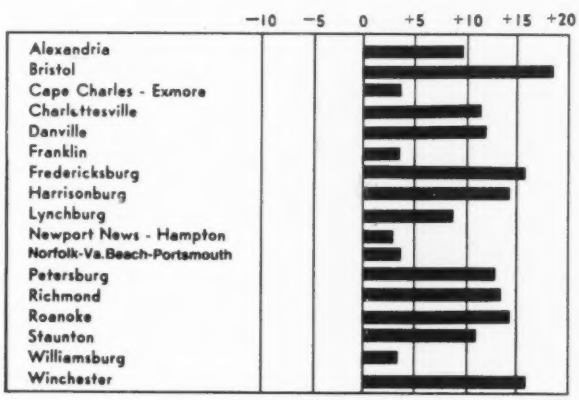


Chart II

City Indices

Percentage Change November, 1983 from November, 1982



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I November 1983

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The State		293.7	96.4	106.3	127.5	82.0	114.0	111.1	199.3	94.3
Alexandria	164.4	488.7	234.4	116.8	N.A.	88.0	120.9	158.9	113.9	N.A.
Bristol	147.3	235.6	30.4	86.6	110.3	88.7	N.A.	86.3	151.8	262.4
Cape Charles - Exmore	122.7	191.7	80.9	101.9	N.A.	71.5	N.A.	N.A.	104.3	180.8
Charlottesville	183.6	232.7	336.8	108.7	N.A.	112.9	N.A.	138.1	224.5	202.5
Danville	133.6	N.A.	393.8	106.0	146.9	79.1	N.A.	72.3	167.7	161.2
Franklin	118.3	N.A.	50.4	105.0	123.8	59.6	N.A.	103.5	134.9	149.8
Fredericksburg	200.6	161.5	399.0	N.A.	140.7	108.8	N.A.	N.A.	267.3	191.3
Harrisonburg	158.0	223.5	216.1	N.A.	157.9	93.3	N.A.	114.8	164.4	181.4
Lynchburg	166.2	428.7	59.2	103.0	N.A.	69.7	N.A.	109.9	173.3	444.9
Newport News - Hampton	140.8	217.7	68.9	70.1	109.0	75.9	122.7	102.5	189.8	N.A.
Norfolk - Va. Beach - Portsmouth	166.3	229.2	232.7	114.4	125.8	77.4	119.0	62.9	256.1	N.A.
Petersburg	143.4	184.4	52.9	N.A.	89.0	53.0	N.A.	85.7	190.9	162.4
Richmond	154.4	323.4	N.A.	110.9	119.8	81.7	114.6	89.9	181.1	160.0
Roanoke	153.0	277.1	17.1	89.3	179.8	71.1	107.5	95.5	179.1	172.3
Staunton	124.5	165.0	16.1	N.A.	84.7	66.3	N.A.	N.A.	130.3	164.6
Williamsburg	123.3	106.5	285.5	136.4	N.A.	79.3	N.A.	77.1	125.7	209.8
Winchester	160.3	360.3	51.3	116.5	187.5	93.1	N.A.	117.1	128.4	183.0

TABLE II November 1983

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Oct. RETAIL SALES ‡
The State		17.7	1.9	6.4	12.8	19.0	2.4	-2.2	8.8	25.7
Alexandria	9.7	10.2	45.8	10.5	N.A.	14.9	4.5	-16.5	17.9	25.0
Bristol	18.0	3.8	-72.3	-2.3	3.0	28.4	N.A.	32.1	26.4	9.1
Cape Charles - Exmore	3.8	33.4	347.0	0.8	N.A.	-2.3	N.A.	N.A.	-3.0	3.2
Charlottesville	11.5	32.3	91.6	7.7	N.A.	36.4	2.1	2.1	3.9	32.4
Danville	12.1	N.A.	842.1	7.5	22.6	33.5	2.8	-4.7	11.8	21.9
Franklin	3.7	N.A.	18.9	-0.2	5.3	-12.8	N.A.	5.9	9.3	19.5
Fredericksburg	15.1	15.5	342.3	N.A.	8.1	35.3	N.A.	N.A.	10.6	25.7
Harrisonburg	14.1	25.9	1.2	N.A.	16.5	28.5	N.A.	8.9	6.3	75.6
Lynchburg	9.0	5.7	2.1	5.3	N.A.	22.9	N.A.	3.9	8.4	37.1
Newport News - Hampton	2.5	-3.1	-63.7	-22.8	7.9	16.4	4.5	3.1	5.4	28.2
Norfolk - Va. Beach - Portsmouth	3.9	12.3	54.1	3.7	11.1	9.9	3.7	-8.7	1.0	24.5
Petersburg	12.5	-3.2	897.2	N.A.	18.1	4.0	N.A.	-9.4	26.1	21.2
Richmond	12.8	21.5	31.8	21.2	13.6	27.4	1.7	4.1	8.6	27.6
Roanoke	14.5	33.2	-90.3	7.5	16.3	43.6	4.0	3.7	7.4	28.2
Staunton	10.4	4.8	-88.8	N.A.	3.9	27.0	N.A.	N.A.	8.8	13.0
Williamsburg	2.8	-23.4	225.9	6.6	N.A.	6.9	N.A.	9.8	6.5	22.2
Winchester	16.2	22.4	-2.2	11.7	14.4	36.1	N.A.	15.1	9.9	30.7

TABLE III

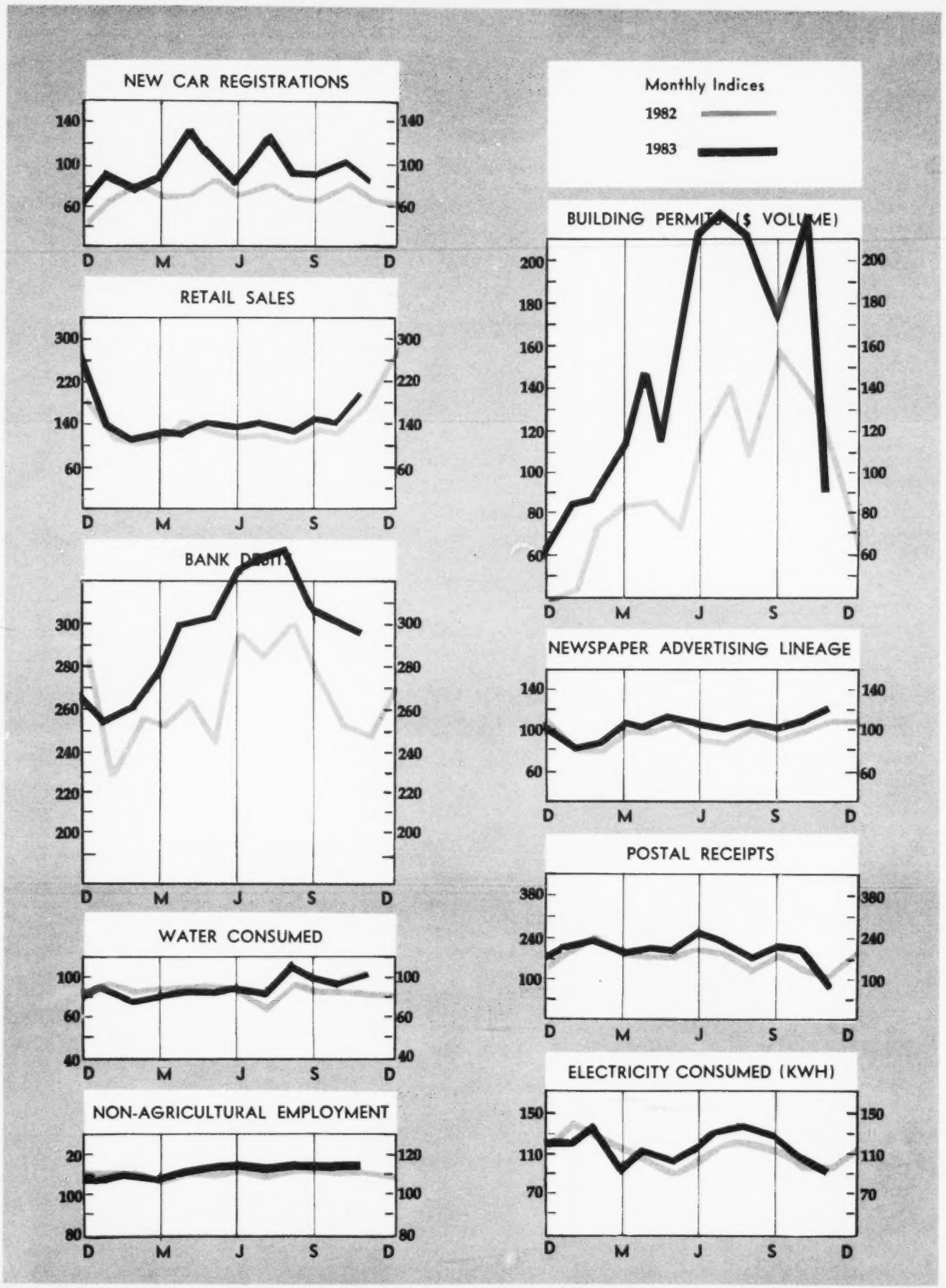
Percentage Change January - November from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Oct. RETAIL SALES
The State		17.1	47.3	6.0	9.0	22.7	1.0	1.4	10.1	19.2
Alexandria	9.6	-0.7	201.0	5.4	N.A.	23.2	3.8	-0.9	15.2	17.7
Bristol	16.4	25.1	22.8	-0.5	1.9	38.0	N.A.	22.3	14.9	6.2
Cape Charles - Exmore	7.6	21.4	142.0	1.6	N.A.	25.1	N.A.	N.A.	-0.9	9.9
Charlottesville	11.7	26.9	2.2	2.5	N.A.	29.2	N.A.	0.7	7.6	13.7
Danville	6.2	N.A.	29.8	6.5	11.7	49.3	N.A.	-6.1	-6.0	-2.1
Franklin	1.3	N.A.	19.6	5.1	0.5	10.8	N.A.	-3.6	-1.2	7.7
Fredericksburg	18.4	27.4	86.9	N.A.	10.3	26.7	N.A.	N.A.	15.3	19.9
Harrisonburg	10.2	22.6	174.5	N.A.	8.9	20.0	N.A.	6.4	4.5	51.0
Lynchburg	14.7	35.3	42.7	3.5	N.A.	40.5	N.A.	1.1	7.5	10.3
Newport News - Hampton	10.5	15.9	-4.0	3.5	N.A.	20.4	4.0	6.1	11.4	12.6
Norfolk - Va. Beach - Portsmouth	9.8	12.3	51.7	4.6	8.8	22.6	2.6	-1.5	12.9	16.5
Petersburg	13.9	32.2	-6.2	N.A.	7.7	33.2	N.A.	0.5	7.8	15.4
Richmond	10.2	13.8	20.6	13.6	4.8	22.9	0.5	1.7	11.6	17.3
Roanoke	8.1	28.9	33.0	3.9	11.9	-2.3	2.0	0.8	9.2	14.2
Staunton	7.4	19.8	-21.1	N.A.	2.0	15.8	N.A.	N.A.	2.3	7.2
Williamsburg	1.0	-26.1	80.6	1.5	N.A.	25.5	N.A.	-4.7	3.6	15.6
Winchester	10.0	19.9	-2.8	5.1	22.0	28.7	N.A.	8.5	-1.4	22.1

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.


NEW CAR REGISTRATIONS
140
100
60
D M J S D
RETAIL SALES
300
220
140
60
D M J S D
BANK DEBITS
300
280
260
240
220
200
D M J S D
WATER CONSUMED
100
60
40
D M J S D
NON-AGRICULTURAL EMPLOYMENT
120
100
80
D M J S D
Monthly Indices
1982
1983
BUILDING PERMITS ($ VOLUME)
200
180
160
140
120
100
80
60
D M J S D
NEWSPAPER ADVERTISING LINEAGE
140
100
60
D M J S D
POSTAL RECEIPTS
380
240
100
D M J S D
ELECTRICITY CONSUMED (KWH)
150
110
70
D M J S D

Yo Ho Ho
Tis The Season to be Jolly!

(This article was written by Marvin M. Stanley, Chessie Professor of Business Administration who teaches Business Policy and Transportation Management in the Business Schools MBA degree program.)

Things look pretty good on the domestic economic scene as 1983 draws to a close. Real GNP is surging along, with a third quarter increase of 7.7 percent; unemployment surprised many people by sagging to an undesirable but improved 8.4 percent in November; and inflation worries are currently a things of the past. Profits mostly will be UP for the nation's business enterprises as the calendar and corporate fiscal year draws to a close. Tis The Season to be Jolly! Or is it?

The major cloud on the economic horizon (other than balance of trade, uncertain cost of capital, structural unemployment and such perennial concerns) is the Federal Government's budget deficit and the nagging suspicion that the piper may have to be paid in two or three years, if not before them. While there is not too much an individual business enterprise can do to shape national economic policy, it might be a good idea to keep in mind the recurrent relaxation of management belt tightening which seems to take place in every upturn of the economic cycle.

To this end the writer, in the spirit of the season and with New Year's Resolutions upcoming, offers "Ten Rules for Management," attributed to Walter Heller, Regents Professor of Economics at the University of Michigan and Chairman of the Council of Economic Advisers to the President 1966 - 1968. With apologies to Dr. Heller, the author has taken the liberty of amending a few personal comments here and there.

Rule No. 1: Think before you act; it's not your money. Basic to the corporate structure is the notion of stewardship over invested capital. True, the shareholder can take his money out and play the game elsewhere, but in the nature of the stock market the person who bought the shares offered for sale still has money invested in the enterprise. Assuming the notion of stewardship were more prevalent, would we perhaps see less of the gambles that result in failed products, unwise expansion, and other corporate boo-boos which seem to take place over and over again?

Rule No. 2: All good management is the expression of one great idea. The suspicion here is that Dr. Heller is referring to simplicity, continuity and consistency of management policy and actions, building on the enterprise's known strengths and capabilities. Not a bad departure point for 1984.

Rule No. 3: No executive devotes effort to proving himself wrong. A thought based on the favorite saying of a friend who is a top corporate executive, "To err is human, to forgive is not corporate policy:" if middle management felt freer to admit mistakes wouldn't it be possible for companies to escape from losing situations perhaps earlier in the game, before real disaster strikes? The author once knew personally a member of the President's cabinet who had the reputation of "executing the bearer of bad news." The result was the cabinet officer didn't get bad news until the roof fell in on him, which it did.

Rule No. 4: Cash in must exceed cash out. Self evident and enough said.

Rule No. 5: Management capability is always less than the organization actually needs. How true, particularly when the corollary of Rule No. 6 is considered.

Rule No. 6: If you are attempting the impossible you will fail. Many of us have seen organizations led beyond personal and organizational capability by the ambitions of a chief executive, and not always a relative of the founder. There is no job security in the executive suite.

Rule No. 7: Either an executive can do his job or he can't. In his treatise on the principles of war, German Field Marshal von Clauswitz described four types of officers with his prescription for each. The brilliant and the energetic — very valuable as top staff officers. The brilliant and the lazy — ideal as top commanders for they maintain perspective apart from details. The stupid and the lazy — should be retained for the many small tasks within their abilities. The stupid and the energetic — such are dangerous and should be eliminated at all cost.

Rule No. 8: If sophisticated calculations are needed to justify an action, don't do it. Seems particularly applicable in these days of instant, sophisticated statistical analysis in the wake of the computer revolution. The longer the writer lives the more he becomes convinced that senior executives, in significant part, got where they are because of a finely-tuned instinct, almost an intuition, apart from the numbers themselves. After all, every number in the world will not make a decision for the top executive, the most they can do is reduce the zone of uncertainty within which the decision still must be made.

Rule No. 9: If you are attempting something wrong, you will do it badly. Don't so many of us have a small, quiet voice within which so often says that this or that action is a mistake, but pride or something else makes us keep on down a dead-end street?

Rule No. 10: The easiest way of making money is to stop losing it. Which brings us back to Rule No. 1 and the notion of managerial stewardship. During the downturn of the business cycle management's concentration is on avoiding losses, on making at least some profit. Why not, just for kicks, try being as prudent and painstaking with stewardship capital during the upturn so that profits either are increased while the climate is favorable or, perhaps more important, the benefits of taut management can be passed on to customers, employees and shareholders alike.

Happy Holidays, and may you make good New Years' Resolutions for Management. Walter Heller perhaps gave us all a good place to start. MMS

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 284 **January 1984**

A Special Thank You

Our ability to report on current Virginia business indicators rests solely on the cooperation of the over two hundred organizations that provide us, at their own expense, with data each month. We at the Bureau of Business Research wish to say Thank You to our many contributors for this public service they perform so conscientiously.
Leland E. Traywick, Ph.D., *Director*

Summary for 1983

In reviewing the Virginia economy's performance in 1983 and the perspective that provides for 1984, we will focus on six of the indicators published monthly. These Report series contain two leading indicators, building permits and new car registrations. Building permits quite logically precede a change in business activity since permits are obtained before construction begins. Also, construction plans are long-term decisions sensitive to both the longer range outlook and interest rates, and such plans typically increase before the general level of output begins to rise. Similarly, new car registrations are an indicator of consumer durable goods demand, which also is sensitive to a long-range view and interest rates, and frequently is a leading component in economic recovery.

Two retail sales measures are included. The broadest measure is sales subject to the Virginia general sales tax, reported with a one-month lag by the Virginia Department of Taxation and shown in the last column in Tables II and III. These taxable sales include a broad range of durable goods (other than automobiles) as well as non-durables and services, purchased by businesses as well as consumers. Even though the data lags one month, the series is a key indicator because it tends to lead slightly in a recovery. The second retail sales measure, shown in the next to the last column in Tables II and III, is constructed monthly by a Bureau survey of retail businesses. This survey-based retail index primarily reflects consumer purchases of non-durable goods, such as clothing and food, and services. Therefore this series is the less volatile of the two. It also is more indicative of the underlying trend in the major components of consumer spending and tends to either coincide with or lag somewhat behind the turning points in overall economic activity.

Electricity consumed also is a significant indicator. Weather, of course, has a strong impact on this variable, so judgment must be used in interpreting its movements. However such consumption also directly reflects increases in manufacturing and other business activity as well as household use, and its movements tend to coincide with general turns in the economy.

The sixth indicator is employment, the major concern of individuals and government. Employment generally lags somewhat as a recovery begins, because businesses initially increase production and hours with their existing workforce before hiring new employees. Therefore growth in employment is a signal confirming that the recovery is well underway, and further increases in output, income, and retail trade can be expected.

In sum, by tracking the percentage changes in these six series, one generally can observe advance signals of a cyclical turn, identify when the overall economy is reversing direc-

Chart I

Nine Selected Business & Economic Indicators Percentage Change

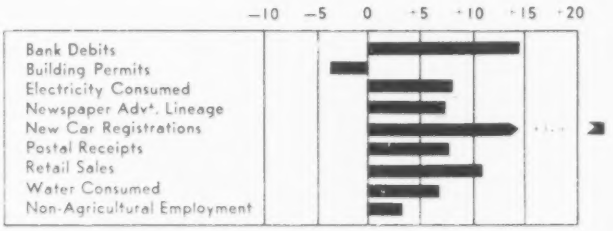
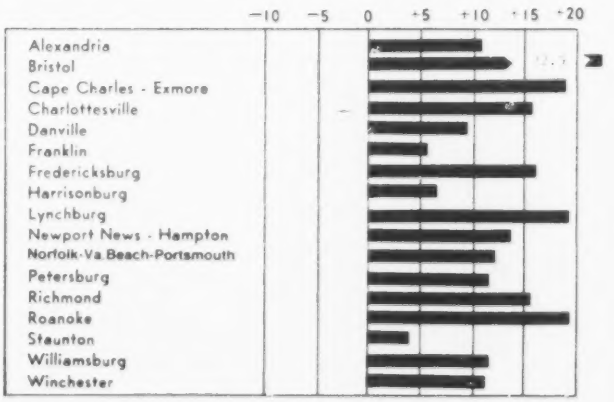


Chart II

City Indices



tion, and assess whether or not the new direction is developing sustainable momentum.

Let us review 1983 by recapping how these six indicators behaved, based primarily on their monthly percentage changes from the same month in the preceding year. Building permits showed huge monthly percentage increases from September 1982 through January 1983, and new car registrations grew at double-digit rates in November (13.6 percent), December (18.9 percent), and January (19.1 percent). The increase in these two leading indicators caused Virginians to ask the question being heard nationwide: was the long-awaited recovery beginning? The two retail sales measures both showed strong increases in December 1982, making the answer "probably, but we can't be sure yet."

February definitely left a question mark in people's minds: the monthly changes were much lower for building permits and retail sales than they had been at the end of 1982, new car registrations declined by 1.1 percent compared to February 1982, electricity consumption declined, and non-agricultural employment was slightly below the level in the preceding February.

March, April and May provided the evidence that the Virginia economic recovery had in fact begun. Building permits rose 26.6 percent in March, 67.8 percent in April, and 55.0 percent in May. New car registrations in those same three months grew 16.6 percent, 74.5 percent, and 23.2 percent, respectively. Taxable retail sales (the Virginia Department of Taxation series) showed accelerating gains of 8.9 percent, 9.6 percent, and 12.3 percent. The confirmation of recovery came in the electrical consumption increases of 8.1 percent in April and 6.9 percent in May; and, most importantly, the fact that employment finally began to increase—a 0.2 percent gain in April and 0.7 percent for May. Virginia output, income, and employment were definitely rising, insuring continued recovery at least for the next few months.

The question then became whether or not this recovery would develop the momentum to last beyond 1983—the short-lived recovery in 1980-81 still was a fresh and painful memory. The summer months gave strong signals that such momentum was developing. Building permits and new car registrations grew at rates well above predictions, both in Virginia and nationwide. In Virginia, the monthly growth rates for building permits were: June, 91.3 percent; July, 70.6 percent; and August, 99.8 percent. New car registrations grew 24.9 percent in June, followed by a spectacular 50.5 percent in July and 15.0 percent in August. Thus the two major leading indicators were soaring, pointing to a healthy economy in the fall. The likelihood that the recovery would endure was more directly shown by the other four indicators. Taxable retail sales grew 10.0 percent in June, 20.9 percent in July, and 24.7 percent in August, reflecting the nationwide surge in general consumer spending. The Bureau's survey-based retail sales index showed lower gains (as expected, due to the structure of the series), but steady monthly increases of 12.1 percent, 6.4 percent and 10.0 percent. Electricity consumption also grew steadily. Most importantly, employment growth began to rise: the monthly percent changes were 1.2 percent in June, 1.4 percent in July, and 0.9 percent in August. Thus, the behavior of all six indicators in the summer months of 1983 left little doubt that the recovery would continue for the remainder of the year. Now the public's concern shifted to what signals the fourth quarter would give for 1984.

Building permits rose 74.4 percent in October, followed by a 1.9 percent gain in November and a 3.7 percent decline in December. For perspective, recall that November and December 1982 had shown huge monthly gains over 1981: 73.3 percent and 59.3 percent respectively. Thus, the lack of significant gains at the end of 1983 means building permits, and the construction to follow, were leveling off at a high rate. The indication is construction will be a steady force helping to sustain the economy in 1984; and it may show some modest growth, based largely on business construction. But the recovery-phase surge in construction, which produced monthly growth rates approaching 100 percent during the summer of 1983, is over. The Virginia economy is moving from the recovery phase of the cycle to the expansion phase, where continued growth depends more heavily on moderate increases in *all* sectors of the economy rather than a spectacular stimulus from a few leading ones.

New car registrations, our other leading indicator, did not follow the pattern of building permits. The registrations grew 23.5 percent in October, 19.0 percent in November, and finished the year with an impressive 43.4 percent gain in December. This fourth quarter performance suggests the boom in consumer durables purchases is far from over. For automobiles, the growth rates generally will be lower in 1984, but we expect frequent double-digit monthly increases.

For retail trade in general, the taxable sales series showed a 25.7 percent gain in October; and in November, 19.4 percent. The Department of Taxation figures for December will not be available until next month, but that report should show about a 19 percent monthly increase over December 1982. The Bureau's survey-based retail sales index, weighted towards non-durables and services, showed a disappointing 4.5 percent increase in October, followed by an 8.8 percent gain in November and 10.8 percent December growth. Therefore both of our retail sales measures reveal a strong momentum in general retail trade, carrying over into 1984. With personal income rising at a steady rate nationwide as well as in Virginia, the taxable sales index should show average monthly growth rates in the 10 percent range in 1984.

The best fourth quarter indicators of steady expansion for Virginia in 1984 are the performance of the electricity consumption and employment series. In each month of the fourth quarter 1983, the growth rates for electricity consumed were above the annual rate. For employment the growth rate has been accelerating since September. The non-agricultural employment growth rates were 1.8 percent for September, 2.4 percent in both October and November, and 2.7 percent in December. Thus output and employment in most Virginia industries apparently were accelerating at the end of 1983, and there were 58,300 more persons employed in December 1983 than in the preceding December. The higher personal income these developments are generating for Virginians will be a major force in sustaining the expansion as they spend a large part of this income at Virginia businesses, creating additional income and job opportunities. Plus, the continued recovery and rising income in other states is creating the means for increased tourist visitation to Virginia, another source of strength for 1984.

So, 1983 was a year of substantial economic recovery in Virginia. The cumulative changes for the year, reported in Table III, show just how substantial the gains were. For the State, total employment rose 1.2 percent for the year. Building permits rose 42.8 percent, new car registrations increased 25.7 percent, and the survey-based retail sales growth was 10.1 percent. Therefore construction, consumer durable purchases, and spending for non-durables and services all grew at high rates. The 1983 growth of other indicators, such as 8.8 percent in newspaper advertising lineage, 6.8 percent for postal receipts, and 6.1 percent in electricity consumption are clear signs that the recovery was broadly based, including the communications, services, and manufacturing sectors as well as retail trade.

The monthly patterns of the 1983 recovery lead to a prognosis for a very healthy economic expansion in Virginia for the next twelve months. For 1984, the slogan "We have it made in Virginia" seems very appropriate.

Roy L. Pearson

SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I December 1983

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		309.6	59.9	122.2	121.9	91.5	113.7	86.6	255.2	193.3
Alexandria	230.5	503.4	54.1	132.8	N.A.	137.5	120.1	95.4	284.9	N.A.
Bristol	162.0	256.6	94.2	107.8	140.2	45.6	N.A.	83.4	195.9	236.4
Cape Charles - Exmore	149.2	207.0	128.6	105.8	N.A.	114.9	N.A.	N.A.	134.9	211.9
Charlottesville	210.7	267.3	857.1	119.6	N.A.	79.9	N.A.	122.5	287.2	234.8
Danville	152.5	N.A.	57.0	109.7	137.9	81.7	N.A.	69.2	220.3	160.5
Franklin	150.1	N.A.	N.A.	127.3	137.9	67.3	N.A.	98.6	176.7	239.6
Fredericksburg	171.0	192.3	52.6	N.A.	141.9	111.9	N.A.	55.9	212.3	229.2
Harrisonburg	168.6	205.6	529.5	N.A.	154.1	65.7	N.A.	120.1	193.6	222.6
Lynchburg	219.8	519.4	39.2	121.9	N.A.	28.7	N.A.	126.8	220.1	301.1
Newport News - Hampton	167.6	241.2	88.5	100.8	106.6	89.7	119.3	112.6	246.2	N.A.
Norfolk - Va. Beach - Portsmouth	204.0	265.3	241.6	131.5	119.5	98.7	119.2	73.9	342.5	N.A.
Petersburg	141.4	131.1	13.2	N.A.	91.3	50.8	N.A.	90.3	207.6	145.1
Richmond	179.1	321.9	N.A.	120.4	112.0	81.0	114.0	95.3	253.1	187.2
Roanoke	163.2	288.1	30.4	103.6	147.3	70.0	111.8	99.6	196.7	221.6
Staunton	169.4	184.1	27.7	N.A.	78.2	85.9	N.A.	N.A.	197.5	245.1
Williamsburg	181.2	239.8	110.1	143.8	N.A.	98.3	N.A.	83.5	181.3	340.4
Winchester	162.5	261.3	90.8	120.9	173.5	88.2	N.A.	120.4	178.5	N.A.

TABLE II December 1983

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Nov. RETAIL SALES ‡
The State		14.5	-3.7	7.6	6.2	43.4	2.7	6.6	10.6	19.4
Alexandria	10.6	7.6	-88.0	6.1	N.A.	35.5	4.5	9.7	7.2	25.8
Bristol	22.5	-13.8	11.2	9.3	17.7	64.8	N.A.	21.6	26.7	30.3
Cape Charles - Exmore	18.9	39.1	6.6	2.4	N.A.	18.8	N.A.	N.A.	17.7	1.6
Charlottesville	15.4	30.7	-50.8	3.2	N.A.	35.8	1.8	15.2	12.2	13.8
Danville	9.4	N.A.	-84.8	10.8	2.9	33.9	0.8	-5.4	10.6	18.6
Franklin	5.1	N.A.	N.A.	14.3	6.7	13.9	N.A.	0.7	0.0	-3.1
Fredericksburg	15.8	23.1	71.4	N.A.	-0.9	31.9	N.A.	-3.5	20.1	26.1
Harrisonburg	6.3	22.7	1213.8	N.A.	6.0	19.4	N.A.	-1.3	-0.8	80.9
Lynchburg	19.4	21.9	-55.1	10.5	N.A.	54.5	N.A.	7.7	13.7	10.5
Newport News - Hampton	13.7	5.1	87.9	-2.4	2.6	70.9	4.1	11.6	10.6	21.6
Norfolk - Va. Beach - Portsmouth	11.7	1.5	6.4	4.4	5.2	49.7	4.0	3.5	12.3	18.7
Petersburg	11.5	-32.3	-81.5	N.A.	8.6	89.7	N.A.	0.0	4.8	18.0
Richmond	15.5	18.3	72.6	16.1	8.1	50.0	2.4	9.2	11.7	16.3
Roanoke	19.5	32.2	-65.3	11.2	15.8	59.1	4.4	5.0	15.9	28.4
Staunton	3.4	5.0	1.7	N.A.	-10.0	30.2	N.A.	N.A.	-1.7	7.4
Williamsburg	11.5	-23.6	9.3	5.5	N.A.	27.8	N.A.	19.0	17.2	12.5
Winchester	11.3	41.7	748.7	9.7	-1.7	35.1	N.A.	7.1	-0.6	24.8

TABLE III

Percentage Change January - December from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Nov. RETAIL SALES
The State		16.5	42.8	6.1	8.8	25.7	1.2	1.0	10.1	19.3
Alexandria	8.8	-4.1	152.0	5.4	N.A.	24.1	3.9	0.0	13.8	18.5
Bristol	16.9	20.7	22.5	0.3	3.1	39.9	N.A.	22.2	16.2	8.6
Cape Charles - Exmore	8.6	23.0	132.3	1.6	N.A.	24.4	N.A.	N.A.	0.8	9.1
Charlottesville	12.2	27.3	-11.9	2.5	N.A.	29.6	N.A.	1.7	8.1	13.7
Danville	6.7	N.A.	5.7	7.0	10.8	47.9	N.A.	-6.0	-4.2	11.1
Franklin	1.6	N.A.	N.A.	5.9	1.1	11.0	N.A.	-3.3	-1.1	6.5
Fredericksburg	11.7	27.1	86.5	N.A.	9.2	27.1	N.A.	-29.8	16.0	20.5
Harrisonburg	9.9	23.3	220.3	N.A.	8.6	19.9	N.A.	5.7	3.9	56.8
Lynchburg	15.2	33.9	36.7	4.1	N.A.	41.5	N.A.	1.7	8.4	10.4
Newport News - Hampton	10.8	15.3	0.4	3.0	N.A.	23.8	4.0	6.5	11.3	13.4
Norfolk - Va. Beach - Portsmouth	10.8	19.7	47.7	4.5	8.5	24.7	2.7	-1.1	12.8	16.7
Petersburg	12.8	24.1	-11.2	N.A.	7.8	35.9	N.A.	0.5	7.2	15.7
Richmond	10.6	14.3	21.6	13.8	5.1	24.6	0.7	2.2	11.6	17.2
Roanoke	12.2	29.5	20.5	4.5	12.3	29.6	2.2	1.1	10.1	15.6
Staunton	6.9	18.2	-20.6	N.A.	0.8	16.8	N.A.	N.A.	1.8	7.3
Williamsburg	2.1	-25.9	73.7	1.9	N.A.	25.7	N.A.	-3.1	5.3	15.3
Winchester	10.1	22.3	6.3	5.4	19.2	29.2	N.A.	8.4	-1.2	22.4

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

Just What Sort of Business Graduate?

(This article was written by Chessie Professor of Business Administration Marvin M. Stanley who teaches Business Policy and Transportation Management in the MBA degree program.)

Shotaro Ishihara was born and raised in Japan. He is a Japanese citizen. He also holds an MBA degree from William and Mary's School of Business Administration, where he graduated in December 1983, one of a number of young Japanese who have come, and still are coming, to the United States for graduate business education. The faculty and his fellow students call him "Shoti." He will make a good Japanese businessman, one of our nation's business competitors.

Shoti, became interested in what American business management wanted as characteristics and skills in the young business school graduates employed by their enterprises. He also wondered if the business schools were providing the sort of graduates desired by business executives.

To this end, Shoti undertook an independent research project during his final semester. The author served as his principal faculty adviser, but the basic data collection and analysis were done by Shoti.

Questionnaires were sent to 113 business schools and to 120 business enterprises, with sales volume between $1 million and $250 million, in the states of North Carolina, Virginia, West Virginia, Pennsylvania, Delaware, Maryland, Washington, D.C., and New Jersey — the so-called Mid-Atlantic region of the nation. All regional business schools professionally accredited by the American Assembly of Collegiate Schools of Business were included; the business enterprises were all manufacturing companies of consumer goods or a mix of consumer goods and industrial goods. Recipients of the questionnaires were Deans of the schools and either Presidents or Vice Presidents, Personnel, of the companies.

The return rate for the schools was 28.3%, 32 responses out of 113 questionnaires; for the business executives 16.7%, 20 out of 120 questionnaires. Given the way the samples were developed, the response rate is acceptably significant.

Shoti's questionnaire was constructed around two major categories: *Acquired Skills* — defined as knowledge or capabilities developed through the formal academic learning process; and *Personal Characteristics* — values or attitudes inherent in the individual, normally established at the time of entry into the business program, but susceptible to reevaluation or reexamination as a result of exposure to the educational process. Business executives and deans were asked to rank certain items by degree of importance.

Following is the ranking by business executives and business school deans of the ten most important *acquired skills:*

Business Schools	*Business Executives*
1. Ability to interact with other people	1. Ability to interact with other people
2. Oral communication	2. Oral communication
3. Analytical point of view	3. Written communication
4. Written Communication	4. Ability to set goals
5. Integrating factual information	5. Analytical point of view
6. Finance	6. Time management
7. Accounting	7. Integrating factual information
8. Business policy planning	8. Finance
9. Organizational behavior	9. Organizational behavior
10. Goal setting Information Systems (given equal rank)	10. Accounting

Following is the ranking by business executives and business school deans of the ten most important *personal characteristics:*

Business Schools	*Business Executives*
1. Ability to listen	1. Personal moral/ ethical integrity
2. Personal moral/ ethical integrity	2. Ability to work with others
3. Ability to work with others	3. Ability to listen
4. Confidence	4. Tolerance of individual differences
5. Perseverance	5. Perseverance
6. Decisiveness	6. Ability to follow instructions
7. Persuasiveness	7. Leadership
8. Tolerance of individual differences	8. Confidence
9. Creativity	9. Decisiveness
10. Ability to follow instructions	10. Ability to work alone

There is a considerable degree of unanimity among the respondent groups, but there were some significant differences. Also, there were some skills either ranked low in importance or not mentioned that may be disturbing by their absence. This is the first of a two-part article dealing with what business schools should be providing their students contrasted with what this admittedly limited survey indicates business wants. Should the business school lead or respond? More on this next month. MMS

Prepared by the Bureau of Business Research
The College of William and Mary
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School of Business Administration
John C. Jamison, *Dean*

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 285 **February, 1984**

Postscript For 1983

This month we are able to report the Virginia taxable retail sales data for December 1983, completing the picture for the 1983 Christmas season. By any measure, the results were spectacular. For perspective, keep in mind that nationally sales of retail stores in December 1983 were 10.5 percent above December 1982. Also, for Virginia the *1982* Christmas sales were stronger than nationally. Against that background, let us review Virginia's growth, shown in the last column of Table II. All of the seventeen urban areas we cover experienced sales increases well above the national rate. The lowest growth rate, 14.6 percent in Staunton, still was 39.0 percent above the national one. Truly phenomenal growth rates occurred in many areas: Harrisonburg, 52.0 percent; Fredericksburg, 36.1 percent; Alexandria, 35.2 percent; and Winchester, 33.0 percent. For the entire State, taxable retail sales were up 25.8 percent in December 1983, almost 2.5 times the national growth rate.

In the December issue, we bullishly said we expected "Virginia taxable retail sales for 1983 very close to the $26.0 billion level." The strong Christmas surge pushed the total above that level, to $26.3 billion. Therefore State taxable retail sales for the year 1983 were 20.0 percent above the 1982 level, an exceptional performance even in a year of economic recovery. Remember, though, that these recovery period growth rates are not sustainable as we move into the expansion phase of the cycle. Our expectation for 1984 still is the same as in the January issue, that taxable sales for Virginia in 1984 will be about 10 percent above the 1983 level.

Business in Virginia January, 1984, Data

The January economic momentum generally remained strong, although as expected some of the major indicators which lead or coincide with broad economic movements are beginning to show lower growth rates. One leading economic indicator, building permits, did accelerate, with a 59.8 percent increase in January, 1983 compared to January, 1982. However, this followed growth of 1.9 percent in November and a decline of 3.7 percent in December. For a highly erratic series such as this one, an average of the December and January growth rates gives a clearer perspective. The two-month average growth was 28.0 percent, compared to an average for the year 1983 of 42.8 percent. Thus the January growth cannot be interpreted as an advance signal of a repeat of the 1983 growth rates.

Our best indicator of consumer durable goods demand is new car registrations. In January, 1984 these registrations were 22.8 percent above last January, showing the boom in consumer durable goods purchases still is strong. However the January growth rate was only slightly over one-half of the December rate of 43.4 percent, indicating that the growth is slowing.

The Bureau's retail trade sample for the State actually showed a fall of 0.9 percent in January sales. The decline, however, was almost entirely the result of lower reported sales in Roanoke. If that city is excluded, the January over January results for the rest of the Virginia urban areas show an increase of 6.2 percent, compared to the average 1983 growth of 10.1 percent. By either approach our sample

Chart I

Nine Selected Business & Economic Indicators Percentage Change

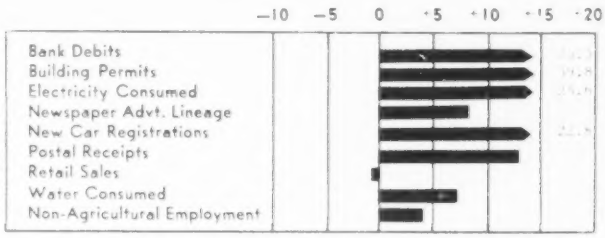
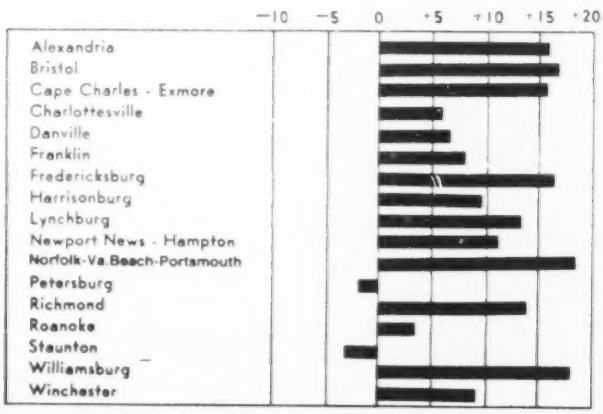


Chart II

City Indices



points to a pause in the growth of consumer demand for non-durables and services. Growth rates later in the spring should improve as we move into the months of stronger tourist activity. However, February could produce another question mark, as it did in 1983.

On the brighter side, electricity consumed, which tends to be a coincident indicator, advanced by a strong 25.6 percent in January. In addition non-agricultural employment, which tends to lag behind upturns in the general economy, continued to show accelerating growth in January. The January growth was 4.3 percent, compared to 2.7 percent in December, providing four consecutive months of increasing growth rates. The 4.3 percent growth in Virginia last month also exceeded the national rise of 4.1 percent over January 1982. Translated to people, this growth means 91,700 more Virginians were employed this January than one year ago. The U.S. Bureau of the Census on February 22nd estimated that Virginia's population was 5.55 million as of July 1, 1983. If one seasonally adjusts the Virginia employment data and compares it to total population, the result shows the Virginia economy is functioning at a rate where approximately 40 percent of the *total* population is employed. In other words, the *current* pace of economic activity is providing one job for every 2.5 men, women and children in the State.

In sum the major economic indicators taken as a group signal that the 1984 expansion still is on track in Virginia. A distinct pause in consumer spending for a couple of months is quite possible following the high growth in late 1983, but the year as a whole still promises to be one of healthy growth in retail sales as well as manufacturing and employment. The other indicators we report add strength to our outlook. Bank debits statewide increased 25.5 percent in January, a much higher growth rate than the 14.3 percent reported for December. Newspaper advertising linage and postal receipts also had higher growth rates in January than in December. After reviewing the available January results, we remain bullish on Virginia for 1984. RLP

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I January 1984

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977 = Base Period = 100)

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS TRATIONS	NON AGRI CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		327.6	141.4	160.6	91.4	100.3	99.3	83.7	110.6	266.3
Alexandria	173.9	550.8	177.5	170.6	N.A.	104.9	131.1	72.7	120.3	N.A.
Bristol	123.1	173.4	73.9	144.7	86.1	54.9	N.A.	88.9	115.8	232.7
Cape Charles - Exmore	133.3	180.5	178.6	131.7	N.A.	86.8	N.A.	N.A.	124.6	162.2
Charlottesville	189.1	504.0	1655.7	135.5	N.A.	104.4	N.A.	52.3	158.4	221.6
Danville	102.4	N.A.	449.9	103.3	82.0	79.4	N.A.	61.9	98.6	197.0
Franklin	107.6	N.A.	16.7	132.2	92.3	96.8	N.A.	53.2	96.3	197.3
Fredericksburg	139.2	178.2	36.7	N.A.	107.6	138.0	N.A.	52.7	123.4	246.6
Harrisonburg	140.1	179.0	36.7	N.A.	84.4	94.2	N.A.	129.6	127.6	290.5
Lynchburg	208.6	443.1	39.6	138.7	N.A.	83.5	N.A.	120.6	115.8	335.4
Newport News - Hampton	116.2	N.A.	103.5	143.5	76.8	100.9	121.7	108.9	126.9	N.A.
Norfolk - Va. Beach - Portsmouth	161.1	413.4	260.0	187.6	99.4	96.3	119.3	70.3	155.2	N.A.
Petersburg	108.5	179.9	1672.4	N.A.	63.8	68.0	N.A.	82.2	103.4	163.6
Richmond	136.5	289.9	N.A.	178.3	93.4	111.0	123.6	82.4	94.3	203.5
Roanoke	121.6	271.3	7.1	113.8	100.8	67.4	106.4	97.5	82.5	211.2
Staunton	104.5	104.5	13.0	N.A.	85.2	83.8	N.A.	N.A.	88.3	191.3
Williamsburg	124.5	143.8	33.9	184.9	N.A.	139.7	N.A.	67.1	76.9	218.0
Winchester	142.3	247.1	27.3	144.3	110.1	111.4	N.A.	122.6	97.2	253.4

TABLE II January 1984

Percentage Change from same month last year

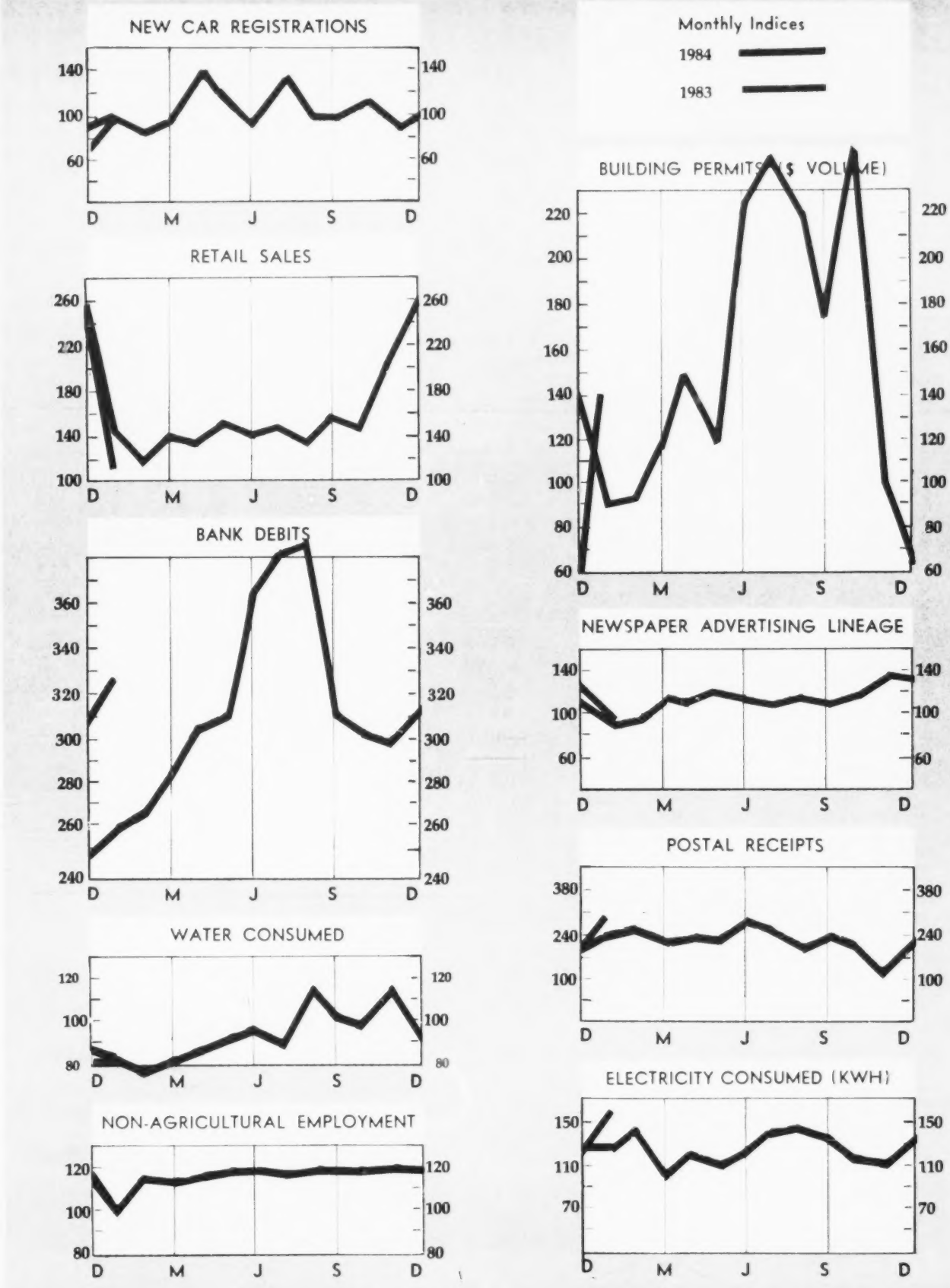
CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS TRATIONS	NON AGRI CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	RETAIL SALES ‡
The State		25.5	39.8	25.6	9.0	20.5	4.3	7.2	16.9	19.8
Alexandria	15.8	46.3	38.8	22.5	N.A.	13.6	6.0	-1.0	11.9	35.2
Bristol	17.1	15.4	221.5	19.4	45.0	33.8	N.A.	44.5	21.1	25.9
Cape Charles - Exmore	15.6	12.6	37.8	12.6	N.A.	45.0	N.A.	N.A.	1.2	20.3
Charlottesville	5.8	41.3	1247.2	28.2	N.A.	10.9	1.7	42.5	0.3	18.4
Danville	6.3	N.A.	866.5	8.2	10.3	8.2	2.9	2.6	1.1	19.6
Franklin	7.7	N.A.	28.2	17.9	0.9	16.9	N.A.	15.8	3.0	21.4
Fredericksburg	16.8	21.8	72.5	N.A.	11.2	30.0	N.A.	8.5	11.3	36.1
Harrisonburg	9.9	12.3	4.6	N.A.	5.1	14.2	N.A.	15.4	7.7	38.0
Lynchburg	13.7	0.3	27.9	16.1	N.A.	16.2	N.A.	32.1	10.3	19.0
Newport News - Hampton	11.2	N.A.	32.3	23.7	10.1	21.0	6.4	17.7	2.1	27.4
Norfolk - Va. Beach - Portsmouth	18.9	63.6	83.2	29.1	11.8	13.7	6.3	5.4	13.2	25.3
Petersburg	-2.1	-24.2	3142.3	N.A.	15.1	18.3	N.A.	-6.0	-0.5	18.2
Richmond	14.1	7.8	-24.4	20.7	13.1	46.9	1.1	8.9	2.2	25.3
Roanoke	2.9	45.4	-47.5	17.1	9.4	22.6	3.2	9.7	-28.1	19.0
Staunton	-3.0	12.9	2.6	N.A.	-11.5	9.0	N.A.	N.A.	-10.7	14.6
Williamsburg	17.4	42.7	-12.3	25.6	N.A.	43.7	N.A.	14.3	-1.6	19.7
Winchester	9.1	4.4	2.3	23.1	-7.9	23.9	N.A.	19.8	3.3	33.0

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

N.A. — Not Available
0.0 — No Change


NEW CAR REGISTRATIONS
140
100
60
D
M
J
S
D
RETAIL SALES
260
220
180
140
100
BANK DEBITS
360
340
320
300
280
260
240
WATER CONSUMED
120
100
80
NON-AGRICULTURAL EMPLOYMENT
Monthly Indices
1984
1983
BUILDING PERMITS ($ VOLUME)
220
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
380
240
100
ELECTRICITY CONSUMED (KWH)
150
110
70

Just What Sort of Business Graduate?

(This article was written by Chessie Professor of Business Administration Marvin M. Stanley who teaches Business Policy and Transportation Management in the MBA degree program.)

This is the second of a two-part article on the results of a limited survey of Mid-Atlantic region business schools and business executives. The research was conducted by a William and Mary December 1983 graduate, Shotaro Ishihara, a Japanese citizen. The author was principal faculty adviser on his independent research.

The first article dealt with the ten most important of two types of skills: *acquired skills* — of the type taught by good, accredited business schools; and *personal characteristics* — inherent values or attitudes in an individual usually well established by the time the young person is enrolled in a business school. This article, in part, deals with those considered *least important.*

None of the characteristics, either acquired or personal, were considered of no importance on the questionnaire responses, which were to be graded: 1 - most important, 2 - important, 3 - desirable, 4 - not too important, and 5 - unimportant.

Following are the rankings of the six lowest ranked *acquired skills,* together with the arithmetic mean accorded each by the two respondent groups. The arithmetic means will indicate the relative degree of importance attached to that attribute. The greater the number the lesser importance.

Business Schools

Deep knowledge of a particular specialty	3.13
Contemporary business issues	2.41
Statistics	2.38
Production & Operations	2.31
Applied economics	2.31
Computer knowledge	2.13

Business Executives

Statistics	3.56
Applied economics	3.47
Deep knowledge of a particular specialty	3.16
Contemporary business issues	2.75
Computer knowledge	2.75
Production & operations	2.65

Following are the rankings of the six lowest *personal characteristics,* together with arithmetic means which indicate the relative degree of importance attached.

Business Schools

Dress, poise and etiquette	2.38
Competitiveness	2.34
Ability to work alone	2.26
Pragmatism	2.25
Assertiveness	2.11
Patience	2.09

Business Executives

Competitiveness	2.53
Assertiveness	2.37
Persuasiveness	2.35
Pragmatism	2.30
Patience	2.16
Dress, poise and etiquette	2.15

It *must be emphasized* that NONE of the above are considered unimportant. For example, however, business executives rank both statistics and applied economics somewhere between *desirable* and *not too important.* Similarly, business schools which are supposed to be educating bright young people for managerial careers rank general social form and appearance as slightly above the mid point between *desirable* and *important.* Equally disturbing, at least to the author, is the low ranking given by both groups to *competitiveness.*

Whereas, in the ten most important attributes, discussed in part one, there was considerable unanimity among the respondent groups, there is some, but not as much, agreement at the lower end of the scale.

Overall, the top managers of relatively small companies (sales up to $250 million in the Mid-Atlantic region) seem to want an MBA program to emphasize human relations as well as technical skills. Business schools recognize the importance of human relations but tend to appreciate the scientific management skills more than do the executives.

Both groups, in an open-ended question at the end of this student's independent research, agreed on the areas which would be important in the next five to ten years: communication skills, computer knowledge and human relations.

The entire exercise raises in the mind of the author a most important question: Are business schools supposed to lead or to follow — or, perhaps, do a little of both?

If a business school abrogates its responsibility to be at the cutting edge of new business knowledge and techniques to the current desires of business enterprises, then we will be educating students for the jobs of today and not for tomorrow. On the other hand, if business schools go too far in exotic applications of hard-to-understand techniques we well may be defeating the ultimate purpose of graduate business education, the providing of future managers who can progress in the business environment of today and thus lead their enterprises into the subtle complexities of tomorrow.

It seems to be a delicate balance for both participants in this partnership. Business schools need to understand what business enterprises need and want; perhaps the enterprise managers also need to understand what skills can be taught and what characteristics can be honed among our students.

More on this business school — business enterprise partnership in coming issues. MMS

Prepared by the Bureau of Business Research
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School of Business Administration
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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 286 **March, 1984**

LELAND E. TRAYWICK, 1915-1984

Leland Eldridge Traywick, Chancellor Professor of Business Administration, died March 22, 1984 in Williamsburg, Virginia. He was 68. He is survived by his wife of 41 years, the former Harriet J. Nordhem, and two children, Eric and Harriet.

Lee Traywick was a good man. Inherently a decent person, he was respected, admired, and loved by colleagues and students alike. All who came in contact with him were impressed by his courtliness, his wry humor and lack of pretentiousness, despite the deserved honors which came to him in his lifetime.

Born in Okmulgee, Oklahoma, June 7, 1915, Lee Traywick was educated at the University of Missouri, receiving his A.B. in 1936 and his A.M. in 1939. His Ph.D. was awarded by the University of Illinois in 1942, where he majored in economics and minored in history. His professional life was concentrated in education and public service.

Lee Traywick's teaching career began as an Instructor at Stephens College, and included appointments at the University of Illinois, Western Reserve University, Michigan State University, Northern Illinois University and The College of William and Mary. From 1965 through 1967 he was President of the University of Omaha, just prior to coming to William and Mary. Earlier he had been President of Southwest Missouri State College, 1961-1964.

His public service included work with the Committee for Economic Development, a World War II period with the U.S. Army at the Aberdeen Proving Ground, and as an economist with the Office of the Chief of Army Ordnance in Washington. In Virginia he served three governors as an advisory economist, either personally or on the Governor's Board of Advisory Economists; and previously he served on the Council of Economic Advisors to the governor of Michigan. His many other public service contributions in Virginia, Nebraska, Missouri and Michigan would fill more space than is available on this page. He was listed in *Who's Who in America, Who's Who in the Midwest,* and *American Men of Science.* His publications were many and reflected his wide-ranging interests in business and economics, capitalism contrasted with communism, economic development and creation of jobs in private industry.

Lee Traywick was a true renaissance man, equally at home in the rarefied air of economic theory, though with an ability to make the complex exceedingly simple; in history; in educational administration; or in government and business policy. He had the ability to be erudite without losing his students, to be gentlemanly without seeming artificial, to be demanding and kind at one and the same time.

His work with the Bureau of Business Research of this School of Business Administration needs no explanation to the regular readers of this publication. You all knew him well and appreciated his remarkable insight and eloquence.

His colleagues and students extend our sympathy to his family. We will miss Lee Traywick, gentleman and scholar in the best sense of the phrase.

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I — Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		247.0	128.8	138.1	84.9	94.5	266.7	78.4	145.2	116.5
Alexandria	136.3	234.3	228.0	144.1	N.A.	105.5	115.7	81.8	131.1	N.A.
Bristol	135.3	210.3	41.0	135.8	71.1	84.1	N.A.	98.8	123.9	249.3
Cape Charles - Exmore	118.6	174.3	79.6	61.7	N.A.	85.8	N.A.	N.A.	100.2	207.5
Charlottesville	183.9	330.5	133.8	129.4	N.A.	113.5	N.A.	102.5	172.0	279.6
Danville	109.7	N.A.	86.2	101.9	91.7	89.8	N.A.	73.1	103.3	211.5
Franklin	118.0	N.A.	20.5	117.6	89.6	100.3	N.A.	87.6	107.1	227.0
Fredericksburg	133.3	72.2	55.7	N.A.	119.9	148.5	N.A.	53.9	139.0	254.9
Harrisonburg	144.9	204.7	118.6	N.A.	125.9	70.9	N.A.	122.8	136.2	226.3
Lynchburg	176.6	216.1	52.0	129.1	N.A.	95.3	N.A.	110.6	124.8	487.8
Newport News - Hampton	116.0	178.9	247.2	120.7	68.9	76.1	119.4	105.2	124.9	N.A.
Norfolk - Va. Beach - Portsmouth	121.6	90.9	195.7	152.7	76.6	91.2	138.9	66.5	159.2	N.A.
Petersburg	112.7	154.4	88.4	N.A.	60.2	63.3	N.A.	81.3	114.3	199.8
Richmond	139.2	280.1	N.A.	155.2	98.5	89.1	114.5	85.6	107.3	246.8
Roanoke	166.5	475.3	20.5	109.9	115.9	74.4	104.4	97.4	144.2	255.7
Staunton										
Williamsburg	125.1	150.2	167.7	149.9	N.A.	99.5	N.A.	73.5	87.0	266.7
Winchester	137.5	210.7	58.6	138.0	142.5	104.5	N.A.	126.2	101.3	211.8

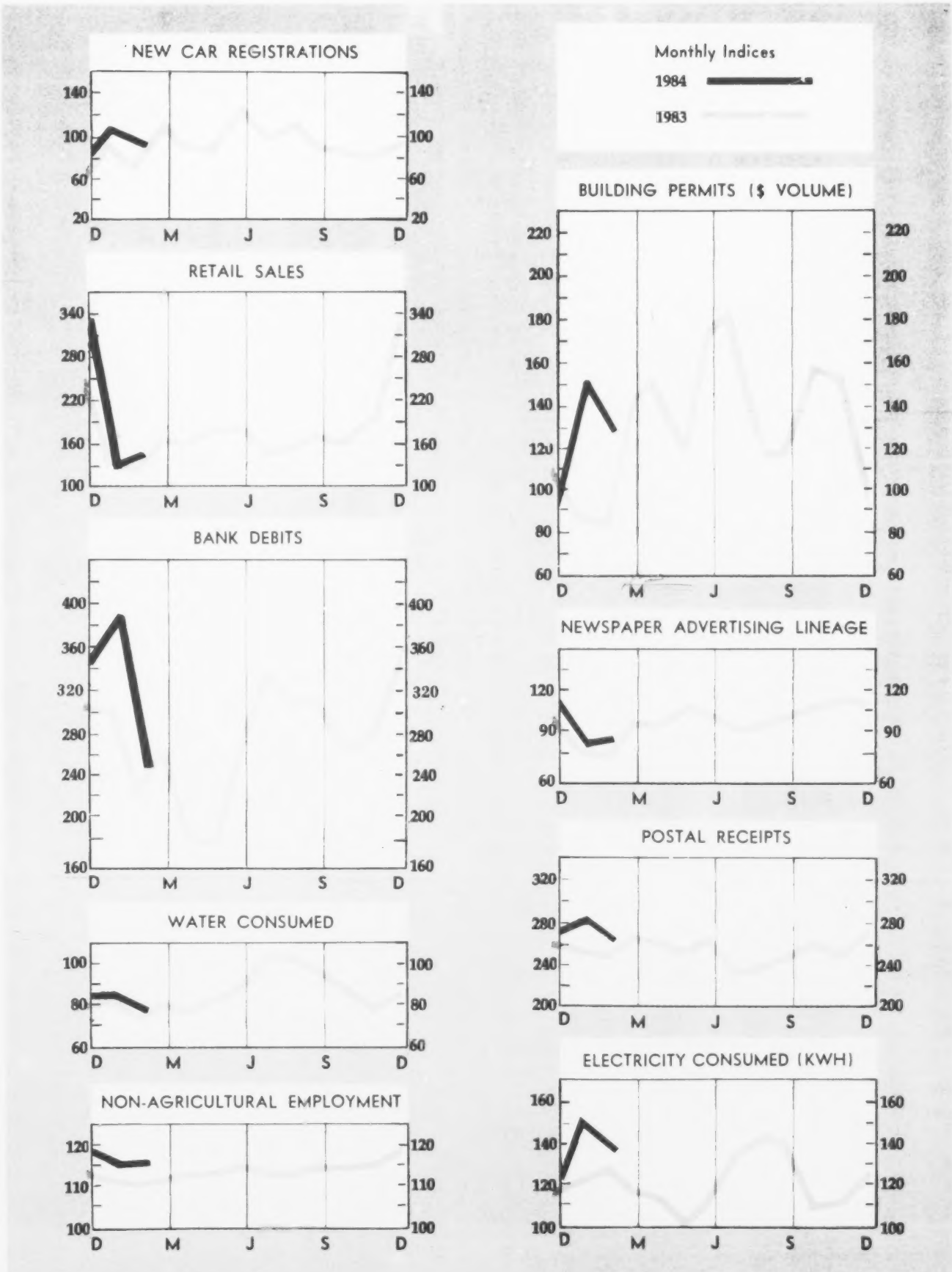
TABLE II — February, 1984 — Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-RETAIL SALES ‡
The State		12.6	49.2	8.0	18.2	41.8	5.0	7.2	16.2	25.0
Alexandria	20.8	19.2	347.8	3.3	N.A.	40.9	6.9	11.3	21.5	22.5
Bristol	24.9	16.5	-41.0	12.0	0.6	42.0	4.2	60.3	29.6	19.9
Cape Charles - Exmore	0.3	28.0	+72.2	+47.3	N.A.	76.7	N.A.	N.A.	-18.6	35.5
Charlottesville	22.0	71.3	181.1	4.9	N.A.	65.1	3.8	3.8	8.4	35.2
Danville	13.1	N.A.	81.1	6.5	23.3	68.8	2.1	-0.9	7.9	27.9
Franklin	22.2	N.A.	-41.4	4.9	2.7	74.1	N.A.	29.9	14.5	143.0
Fredericksburg	35.0	38.1	-58.2	N.A.	14.9	25.1	N.A.	10.9	35.3	98.4
Harrisonburg	16.6	48.5	237.4	N.A.	26.4	7.4	N.A.	9.4	14.9	35.7
Lynchburg	19.6	0.1	-3.1	8.0	N.A.	66.0	4.8	21.2	18.9	33.5
Newport News - Hampton	9.9	20.8	109.1	4.2	14.1	18.2	6.6	13.6	2.1	16.3
Norfolk - Va. Beach - Portsmouth	14.1	17.0	24.6	5.1	16.3	33.9	6.2	-0.2	16.2	28.6
Petersburg	8.9	1.7	177.6	N.A.	5.0	41.7	-2.2	-7.0	10.8	29.6
Richmond	16.4	6.4	10.9	22.4	18.8	40.9	4.0	6.6	16.2	28.0
Roanoke	26.2	33.2	76.2	13.1	24.6	74.2	4.6	9.6	25.7	26.3
Staunton	13.4	10.4	-0.9	N.A.	12.0	14.8	N.A.	N.A.	1.1	-1.5
Williamsburg	8.3	-32.4	334.1	4.0	N.A.	24.3	N.A.	25.2	5.3	15.7
Winchester	19.1	29.0	119.2	17.6	19.3	40.3	N.A.	22.9	7.6	28.2

TABLE III — Percentage Change January - February from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON AGRICULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Feb. RETAIL SALES
The State		20.1	94.7	16.5	12.9	30.7	4.1	7.2	3.4	20.0
Alexandria	18.0	44.0	119.6	32.9	N.A.	29.4	N.A.	4.9	16.6	20.4
Bristol	19.4	+2.4	34.0	35.6	-1.8	37.6	3.0	12.7	23.6	10.8
Cape Charles - Exmore	7.1	10.1	-81.5	-37.6	N.A.	39.5	N.A.	N.A.	-14.8	10.1
Charlottesville	12.7	36.9	344.6	13.2	N.A.	13.9	4.2	-19.5	4.3	14.2
Danville	10.2	N.A.	624.8	7.0	17.0	43.0	2.8	12.7	4.3	11.6
Franklin	13.9	N.A.	-34.0	12.8	4.3	34.9	N.A.	1.9	5.9	8.3
Fredericksburg	25.5	29.1	-66.1	N.A.	4.1	30.7	N.A.	4.8	13.8	22.4
Harrisonburg	13.4	19.4	91.1	N.A.	10.5	16.5	N.A.	16.4	11.3	16.2
Lynchburg	13.4	0.2	-18.8	12.9	N.A.	30.8	4.8	26.7	14.7	11.3
Newport News - Hampton	11.0	20.5	+6.1	13.4	12.8	22.1	5.4	10.9	2.1	14.8
Norfolk - Va. Beach - Portsmouth	10.2	16.3	42.7	16.9	14.4	25.1	5.1	2.7	14.7	17.4
Petersburg	7.9	10.3	626.8	N.A.	3.8	28.6	0.9	8.4	4.8	13.9
Richmond	13.3	7.1	-8.8	20.1	11.4	44.1	5.1	7.5	9.3	18.0
Roanoke	11.3	42.2	-20.7	14.1	16.4	42.0	3.9	4.8	17.7	16.9
Staunton	4.4	20.8	1.8	N.A.	7.9	19.2	N.A.	N.A.	-0.2	5.1
Williamsburg	4.8	-6.0	98.2	24.0	N.A.	10.4	N.A.	19.0	1.4	15.7
Winchester	14.6	15.1	60.6	20.1	5.2	19.6	N.A.	21.3	5.4	21.7

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.


Monthly Indices
1984
1983
NEW CAR REGISTRATIONS
140
100
60
20
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J
S
D
RETAIL SALES
340
280
220
160
100
BANK DEBITS
400
360
320
280
240
200
160
WATER CONSUMED
100
80
60
NON-AGRICULTURAL EMPLOYMENT
120
110
100
BUILDING PERMITS ($ VOLUME)
220
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
120
90
60
POSTAL RECEIPTS
320
280
240
200
ELECTRICITY CONSUMED (KWH)

Business in Virginia February, 1984, Data

Last month, we were concerned that February might yield a question mark about the staying power of consumer demand, as it did in 1983. Nationally, a weakening did occur: personal income rose 0.7 percent, but consumer spending fell a steep 0.7 percent. However, in Virginia there was no weakness in consumption. After the slight pause in January, Virginia consumers showed in February that consumer demand still was advancing strongly, providing the base for further gains in 1984.

Our retail sales sample in January showed a 0.9 percent decline, but in February soared to a 16.2 percent gain statewide. For all 17 urban areas covered, the percentage change in February was equal to or higher than the January percentage changes. Our sample primarily measures demand for non-durables and services, typically the sustaining force in consumer demand as an expansion matures. Thus, this type of consumer demand is showing significant strength, a trend which is likely to continue throughout the spring.

The unexpected factor was the strong rebound in the growth of new car registrations. After the December growth of 43.4 percent for the State, the easing to a 22.8 percent growth in January was quite normal. But, in February new car registrations rebounded to a 41.8 percent growth rate, compared to February 1983. Thirteen of the seventeen areas reported higher growth of new car registrations in February than in January. Thus consumer durable goods demand currently is much stronger than had been anticipated.

The building permit activity in February also was strong, with a 49.4 percent increase over last February. However, there are mixed results here. Ten of the urban areas reported increases compared to February 1983, but only nine of the seventeen had growth rates higher than in January. If one looks at January and February combined, only six urban areas had higher growth rates than in the same period last year. So building plans remain strong, but with uneven patterns around the State, and continued strength is not assured by the present trends.

Virginia nonagricultural employment rose by 5.0 percent in February, the fifth month in a row that the growth rate has been higher than in the preceding month. Five of the eight urban areas for which data are available had higher growth rates than in January; and only one city, Petersburg, had a lower level of employment than in February, 1983.

Overall, the Virginia economy is continuing to expand at a very substantial pace, with almost all areas of the State experiencing high real growth in economic activity. This growth is not yet pressing the limits of our production facilities, but it is creating a tightening labor market in nearly all of the urban areas. If these growth rates do not moderate soon, the availability of workers to match the requirements of the new jobs created will become a problem, putting a supply constraint on future growth.

Nationally, high growth is raising potential problems, too. The "flash" estimate on March 20 predicted that real output nationwide would increase by 7.2 percent in the first quarter of 1984, an unsustainable rate of growth. If it does not ease in the second quarter, the Federal Reserve Board undoubtedly will take action to force moderation, by tightening monetary growth. Such tightening will mean less liquidity and higher interest rates, causing interest-sensitive demand to slacken.

Will consumer and business demand moderate by themselves? In the past they have, as the expansion matures. But, this time consumer sentiment, their optimism about their personal situation and the future, is at the highest level since 1965. And, business inventories in manufacturing and trade are at their lowest levels relative to sales since November 1973. These are factors which could mean continued high growth nationally. The second quarter of 1984 will be the key to the future. Either growth will fall of its own accord to the 4 to 4.5 range, avoiding the need for tighter monetary conditions; or overheating will continue, with reduced availability of money and rising interest rates. We still hope for the former, but recent national developments have reduced our confidence that it will occur.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change February, 1984 from February, 1983

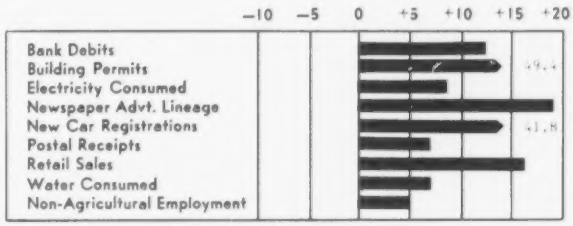
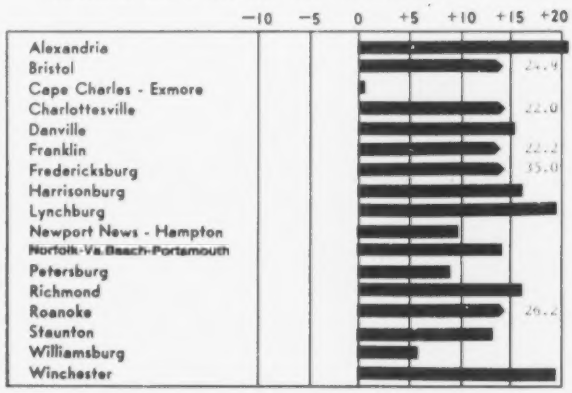


Chart II

City Indices

Percentage Change February, 1984 from February, 1983



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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA
Report No. 287 **April, 1984**

Business in Virginia March, 1984 Data

All of the indicators we report showed business in Virginia was better in March 1984 than in March 1983. Furthermore, the cumulative results for the first quarter of 1984, reported in Table III, reveal the same pattern: business in the first quarter of 1984 was substantially better than in the first quarter of 1983. These results are no surprise, since the year in between has been one of strong recovery in the State. The leading forces in that recovery have been new construction and consumer demand for durable goods. The continuing strength of these forces is shown by the 51.3 percent increase in building permits, and the 26.8 percent increase in new car registrations in urban areas, for the first quarter of 1984 compared to the first quarter of 1983. In March, these two indicators still were advancing strongly. Building permits were up 47.1 percent over Mach 1983, indicating a large volume of new construction is planned in the coming months. New car registrations in March were 19.7 percent higher than in March 1983, a sign that consumer demand for durable goods still is at a high level.

The present level of economic activity in Virginia is a substantial accomplishment. However, two appropriate questions are how strong is the current pace of the recovery, and where is it heading? To answer these questions, we compared the current growth rates, for the first quarter and for March, to the growth rates reported in previous issues.

Last April's issue showed the growth rates for the first quarter of 1983, compared to the first quarter of 1982. Those growth rates revealed that economic recovery was slowly beginning in the State. Comparing the first quarter 1984 growth rates in Table III to the 1983 growth rates, every growth rate except one was substantially higher this year than in the first quarter of 1983. The only exception was our sample of retail sales, which advanced 7.8 percent in the first quarter of this year, compared to a 13.9 percent rise in the first quarter of 1983. Thus by almost all measures, the pace of economic growth in Virginia was considerably stronger in the first quarter of 1984 than in the same quarter last year. This performance parallels the national results. In the first quarter of 1983, actual output in the nation grew only 2.6 percent, as the recovery hesitantly began. For the first quarter of 1984 output grew at an 8.3 percent annual rate, well above expectations.

Where are we heading? A comparison of the March growth rates with those of the first two months of 1984 and with those of last March offers a perspective. Like the national rates, the March growth rates in Virginia generally were below the average results for January and February. However, most of the March growth rates (1984 over 1983) were *above* the growth rates achieved in March 1983, when the comparison was 1983 over 1982, a recession year. In sum, the Virginia economy experienced high growth in the first two months of 1984, with slower growth in nearly all types of business activity in March. However, the lower March growth rates do not indicate the recovery is ending. The rates still are quite high, well above the rates of growth being achieved at this time last year. For Virginia as well as the nation, several more quarters of economic expansion can be expected.

RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

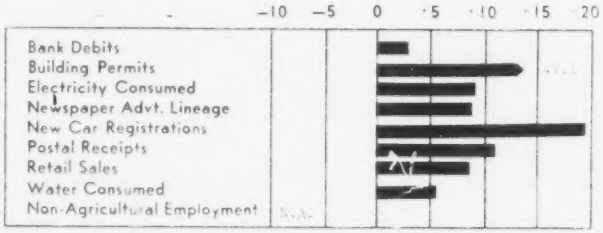
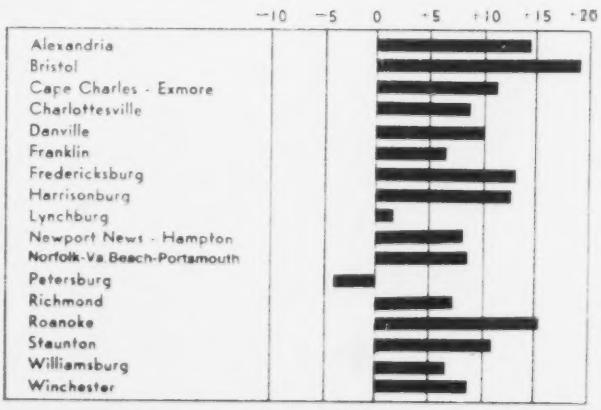


Chart II

City Indices



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I — Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		281.4	195.8	127.2	96.6	104.3	N.A.	82.3	174.2	292.3
Alexandria	291.3	234.4	800.4	132.0	N.A.	114.8	N.A.	87.8	156.5	N.A.
Bristol	143.0	234.1	83.5	117.3	76.6	92.6	N.A.	75.6	138.2	275.8
Cape Charles - Exmore	133.6	222.9	305.3	109.1	N.A.	89.1	N.A.	N.A.	109.4	185.9
Charlottesville	176.3	287.8	227.9	122.8	N.A.	120.1	N.A.	104.0	171.5	261.2
Danville	98.1	N.A.	187.7	106.2	101.9	111.8	N.A.	77.3	48.1	243.2
Franklin	123.5	N.A.	57.9	114.5	121.9	102.2	N.A.	86.8	112.5	215.0
Fredericksburg	155.6	80.9	105.1	N.A.	134.3	146.1	N.A.	55.0	190.8	256.1
Harrisonburg	168.7	285.0	415.6	N.A.	148.3	72.2	N.A.	110.8	163.5	242.5
Lynchburg	246.1	405.7	191.2	121.2	N.A.	100.0	N.A.	101.0	139.8	820.2
Newport News - Hampton	113.9	203.2	238.2	112.4	81.1	91.8	N.A.	107.8	104.9	N.A.
Norfolk - Va. Beach - Portsmouth	124.7	94.2	228.5	135.8	85.6	101.9	N.A.	76.0	167.9	N.A.
Petersburg	111.3	110.3	72.4	N.A.	67.1	67.0	N.A.	88.7	114.3	214.4
Richmond	138.9	238.8	N.A.	139.8	107.8	103.7	N.A.	89.6	108.9	244.1
Roanoke	177.3	445.2	70.1	104.9	134.0	75.7	N.A.	102.4	161.5	249.3
Staunton	122.4	134.8	49.1	N.A.	74.7	80.4	N.A.	N.A.	119.1	209.9
Williamsburg	139.8	177.0	728.0	143.9	N.A.	106.3	N.A.	80.5	113.5	270.0
Winchester	161.4	214.0	49.4	129.0	180.3	123.4	N.A.	129.7	112.7	310.8

TABLE II — March, 1984 — Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Feb. RETAIL SALES ‡
The State		3.7	47.1	9.0	8.8	19.7	N.A.	5.1	8.4	21.1
Alexandria	14.7	13.3	206.7	6.4	N.A.	21.6	N.A.	4.9	18.8	31.9
Bristol	19.3	-5.7	116.1	11.3	3.7	14.4	N.A.	30.5	33.5	18.3
Cape Charles - Exmore	11.7	45.4	42.4	3.1	N.A.	66.7	N.A.	N.A.	-15.1	11.0
Charlottesville	8.3	33.0	-53.5	8.7	N.A.	13.4	N.A.	0.6	0.7	4.5
Danville	10.0	N.A.	0.2	5.1	-1.6	35.6	N.A.	2.9	9.4	13.0
Franklin	6.6	N.A.	283.2	14.4	12.6	29.2	N.A.	-8.0	-0.6	14.3
Fredericksburg	13.6	-3.1	-23.0	N.A.	7.0	32.0	N.A.	6.1	17.7	22.5
Harrisonburg	12.7	49.0	76.6	N.A.	5.3	-5.6	N.A.	-1.0	13.7	25.8
Lynchburg	2.0	-19.3	-65.7	4.8	N.A.	21.4	N.A.	-6.3	4.5	29.4
Newport News - Hampton	7.7	16.3	42.2	5.5	16.3	16.0	N.A.	7.4	-0.1	13.5
Norfolk - Va. Beach - Portsmouth	8.6	22.2	10.9	6.3	12.8	18.3	N.A.	10.7	-0.4	16.0
Petersburg	-4.6	-27.7	28.5	N.A.	-12.3	26.3	N.A.	-10.3	-3.0	1.2
Richmond	7.2	0.8	612.6	20.4	10.9	18.1	N.A.	1.2	2.0	10.8
Roanoke	15.4	21.2	31.2	9.6	4.8	13.6	N.A.	4.4	23.3	25.8
Staunton	11.5	34.4	-11.0	N.A.	-1.3	19.5	N.A.	N.A.	5.4	1.1
Williamsburg	6.3	19.2	510.9	8.3	N.A.	9.6	N.A.	21.6	-4.9	6.3
Winchester	8.9	3.5	-26.6	5.9	18.1	16.1	N.A.	7.5	6.6	18.2

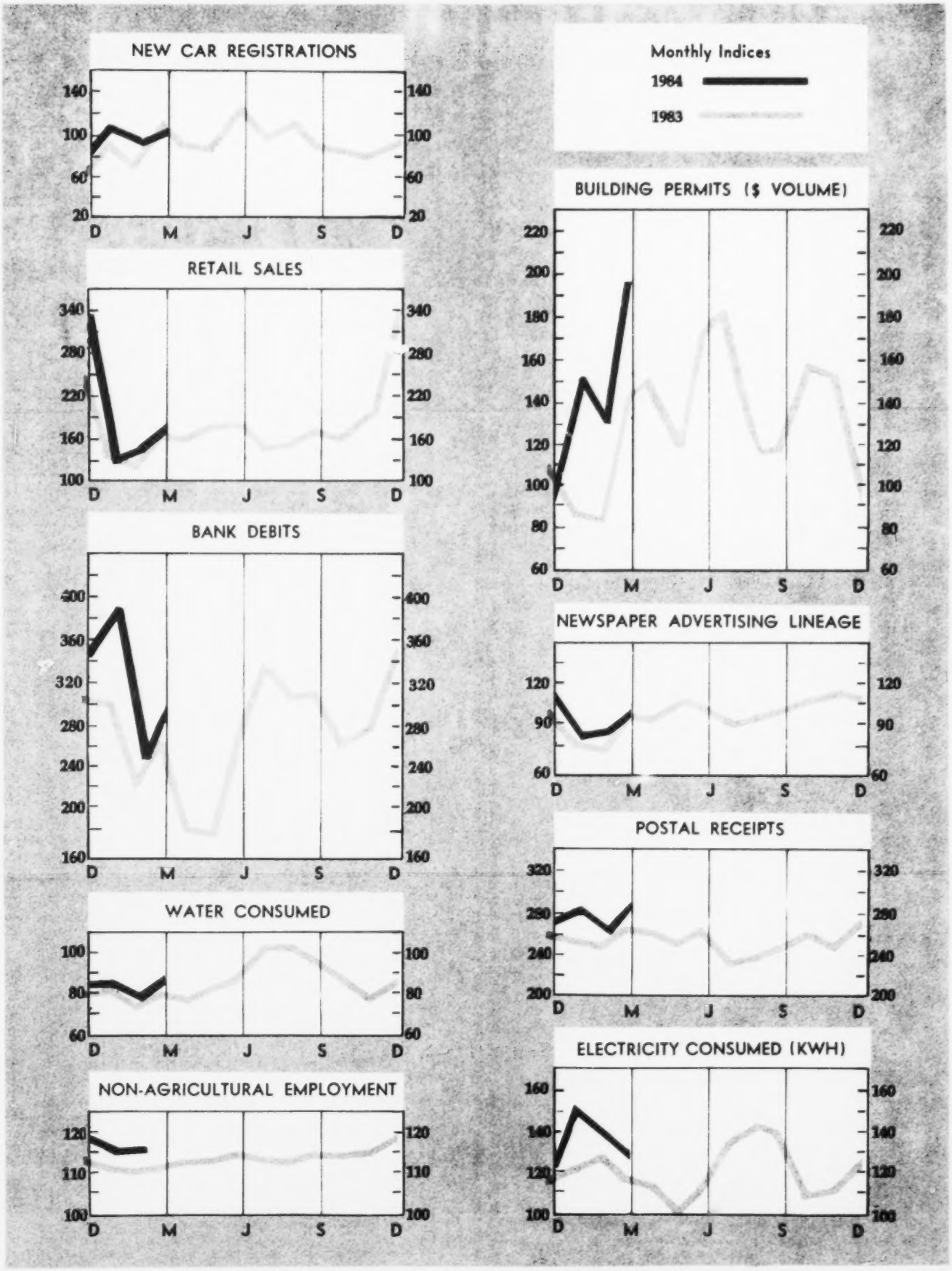
TABLE III — Percentage Change January - March from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	Jan.-Feb. RETAIL SALES
The State		14.5	51.3	14.1	11.4	26.8	N.A.	6.5	7.8	23.1
Alexandria	17.9	32.6	166.7	10.9	N.A.	24.8	N.A.	4.7	17.5	27.2
Bristol	20.9	-3.6	89.6	14.3	-1.3	28.6	N.A.	45.4	28.0	19.2
Cape Charles - Exmore	8.9	35.6	-50.4	-11.1	N.A.	61.8	N.A.	N.A.	-10.9	22.8
Charlottesville	11.9	47.5	212.1	13.1	N.A.	26.4	N.A.	-12.8	3.6	20.7
Danville	10.6	N.A.	293.1	6.7	9.2	40.2	N.A.	-0.2	6.2	20.4
Franklin	11.3	N.A.	16.5	12.6	7.7	44.4	N.A.	-1.8	5.4	79.2
Fredericksburg	12.7	15.6	-53.0	N.A.	8.3	50.5	N.A.	8.5	2.1	46.6
Harrisonburg	12.9	29.6	74.7	N.A.	11.4	5.1	N.A.	7.4	12.2	30.7
Lynchburg	11.3	-7.8	-56.5	9.7	N.A.	30.6	N.A.	14.4	10.7	31.5
Newport News - Hampton	10.2	19.2	44.5	10.8	15.2	19.9	N.A.	12.9	1.2	14.9
Norfolk - Va. Beach - Portsmouth	16.3	51.9	29.4	13.4	13.9	21.4	N.A.	5.4	8.2	22.3
Petersburg	0.5	-16.2	253.7	N.A.	-3.8	26.5	N.A.	-7.8	1.5	14.5
Richmond	13.3	4.8	130.4	27.8	14.1	34.9	N.A.	5.5	6.3	19.6
Roanoke	12.9	34.3	-7.1	12.7	11.7	31.4	N.A.	7.8	1.8	26.1
Staunton	6.8	25.3	-1.8	N.A.	2.3	17.9	N.A.	N.A.	-1.5	-0.3
Williamsburg	8.3	1.6	232.7	12.5	N.A.	26.3	N.A.	20.3	-0.9	11.1
Winchester	12.0	11.2	12.2	15.2	10.2	25.2	N.A.	16.2	5.9	23.1

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.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240
200
160
WATER CONSUMED
100
80
60
NON-AGRICULTURAL EMPLOYMENT
120
110
100
BUILDING PERMITS ($ VOLUME)
220
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
120
90
60
POSTAL RECEIPTS
320
280
240
200
ELECTRICITY CONSUMED (KWH)

The Wall Street View — Right of Wrong?

This guest commentary was written by Norman Robertson, Senior Vice President and Chief Economist, Mellon Bank.

Good economic news, it seems, worries the financial markets. At a time when the economy is performing better than at any time in at least ten years, investors have become increasingly pessimistic as evidenced by the steep decline in stock prices. Since early January, for instance, the Dow Jones Industrial Average has dropped some 10 percent, which suggests perhaps that Wall Street is anticipating an economic slowdown or something worse within the next 12 months or so. To be sure, the stock market has predicted recessions which often failed to materialize. But then professional forecasters, including the vast majority of economists, have not fared that much better and certainly their record is far from perfect.

Why so much nervousness on Wall Street? The economic expansion, now in its second year, still has considerable forward momentum and appears well set to continue through at least the balance of 1984. Essentially the foreign trade sector remains the only serious negative in the 1984 outlook. This year's merchandise trade deficit might well approximate $110 billion, representing a boom-like surge of imports and a relatively sluggish upturn in exports. Unquestionably, this represents bad news for U.S. exporters and those domestic industries struggling to compete with foreign competition. However, the flow of imports has lowered the inflation rate and prevented the upswing in domestic production from climbing at an overly rapid rate which would have substantially increased the chances of capacity problems and bottlenecks.

For now, the economy does not appear to be overheating and there are no visible signs of the inflationary excesses and imbalances which are often the harbingers of recession. Wall Street, however, may be taking the view that inflation is not dead, only resting. There is in fact good reason to believe that the economy is moving very close to the zone where wage and price increases are likely to accelerate. Unemployment has already fallen to 7.8 percent and by year-end 1984 the rate may be in the neighborhood of 7 percent, not far above the 6.5 percent level which is widely accepted as "full employment." Pressures for large wage and benefit increases are likely to follow in the wake of declining unemployment and growing labor shortages, especially in a number of skilled occupations. Furthermore, labor is very unlikely to grant the type of wage and benefit concessions which have helped hold down costs so far in this recovery.

The decline in the unemployment rate has been accompanied by a dwindling margin of unused industrial capacity. In a number of industries, including textiles, paper, rubber, plastics and electrical machinery, operating rates have reached the 90 percent zone, suggesting that supply constraints are not far distant. It is obvious that as business firms endeavor to bring less efficient or marginal facilities into use, cost — and price — pressures are likely to mount. In sum, the U.S. economy is now operating at a fairly high rate of overall resource utilization, despite the persistence of heavy unemployment in some parts of the country, notably the nation's industrial heartland.

Investors, then, are probably worried about the dangers of accelerating inflation and the strong probability that the Federal Reserve will be forced to tighten credit — such a move has probably already taken place — thereby driving interest rates upward. And further adding to the stock market's lackluster performance is the attraction of a 12 percent bond yield as a viable alternative to equity purchases.

Somewhat paradoxically, the current rise in interest rates may help rather than hurt the economic expansion. A careful and cautious application of the monetary brakes accompanied by a moderate rise in rates will not derail the economy from its present growth track and might instead sustain the expansion's longevity beyond the post-World War II average of roughly three years. To wait until there is unmistakable evidence of economic overheating would undoubtedly necessitate a much heavier dose of monetary restraint, severe enough to topple the major credit-sensitive areas of the economy into another decline.

To the extent, therefore, that the Federal Reserve practices preventive rather than remedial medicine, there is, as already noted, a good chance that the longevity of the current expansion could be extended for a much longer period of time. All things considered, Wall Street probably has overreacted to the recent rise in interest rates and seems unduly alarmed that a moderate increase in borrowing costs will bring the expansion to a halt.

If, however, the recent drop in stock prices reflects fears of a collision between public- and private-sector borrowing — and sharply higher interest rates — in 1985, then Wall Street's concerns appear fully justified. At risk is the growing possibility that huge budget deficits at a time of expanding economic activity and rising credit demands from private borrowers will bring about another debilitating increase in interest rates. And, of course, a runup in rates — say three percentage points — would not only send the housing market into a tailspin but curtail capital spending and curb outlays for consumer durable goods as well. Until such time then as President Reagan and the Congress can agree on a credible deficit-reduction program, the economic outlook beyond the next six to nine months is likely to remain unsettled. And we should not be surprised that this uncertainty and uneasiness will be reflected in the behavior of stock prices.

N.R.

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 288 **May, 1984**

Business in Virginia April, 1984 Data

Last month we reported that Virginia's growth in March generally had slowed down from the hectic pace in January and February; but, the growth rates still were very high and several more quarters of economic expansion could be expected. The April data reinforce that diagnosis. On balance, the Commonwealth in April continued to expand at the same pace as in March. Therefore, the Virginia economy is making the transition from rapid recovery to slower but steady expansion very smoothly, without the very erratic monthly swings in growth rates which we have witnessed at the national level.

During a transition period, though, some erratic behavior is to be expected, and all sectors do not move in tandem. Two of our leading indicators, building permits and new car registrations, followed very different paths. Building permits in April were only 12.3 percent above April 1983, after growing by 47.1 percent in March. However, this slowdown in growth is most likely a natural pause after the very high growth rates earlier in the year. It occurred too early to have been in response to the recent rise in interest rates. The growth in May should remain steady or slightly increase, in spite of the concern over interest rates. In contrast, new car registrations showed a slightly higher year-over-year growth in April, 19.9 percent, than in March, 19.7 percent. Thus, the demand for consumer durable goods remains unexpectedly high. This demand also is reflected by a third leading indicator, the March taxable retail sales reported by the Virginia Department of Taxation, which were up 27.5 percent over March 1983, a gain which exceeded not only the January and February rates but also the December rate. Therefore in Virginia there is no evidence that the high consumer demand for durable goods, which has been a major force in the recovery here and in the nation, is reaching its peak.

The two indicators which tend to coincide with overall economic activity, electricity consumed and our sample survey of retail establishments, rather surprisingly showed lower growth in April than in March. Electricity consumed grew by 2.8 percent, versus 9.0 percent in March; and the retail sales sample gained 6.9 percent compared to 8.4 percent in March. However, these lower growth rates are not an ominous signal since the leading indicators do not follow that pattern.

The economic measure of most interest to individuals and government during a recovery is employment, and growth in this key indicator tends to advance later than general economic growth rates. The latest figures we have, for March, showed a 4.7 percent year-over-year growth, the same rate of advance as in February. Thus employment growth is remaining high and steady, a sign of continuing strength. Confirmation also comes from the behavior of bank debits, which are a measure of the total spending done with checks. In April, bank debits were 9.4 percent above April 1983, compared to the reported growth of only 3.7 percent in March. Therefore total spending for all purposes appears to be picking up again after a weak performance in March.

In general, six of the ten economic indicators showed steady or rising growth; three revealed weaker but still positive growth; and only one, postal receipts, actually declined in April compared to April 1983. Those results, supplemented by considering the normal cyclical behavior of the individual indicators, lead to the conclusion that the Commonwealth is continuing to expand at a steady pace.

RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change April, 1984 from April, 1983

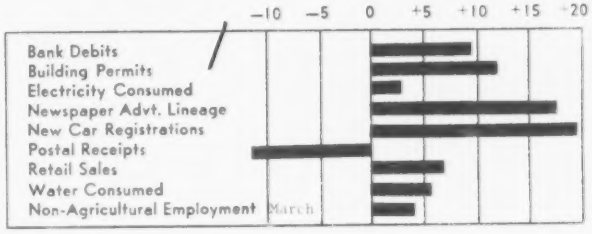
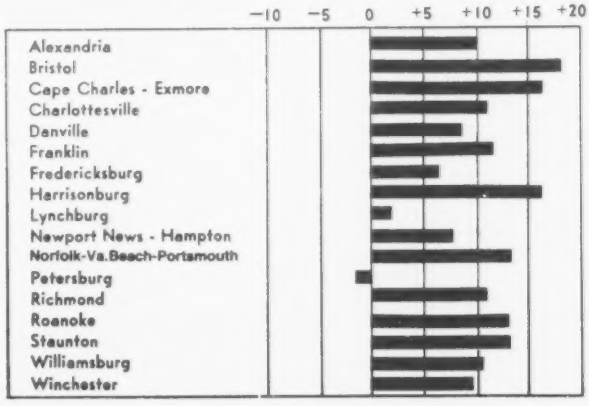


Chart II

City Indices

Percentage Change April, 1984 from April, 1983



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I April, 1984

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	MARCH NON-AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		329.0	164.7	116.6	113.1	161.5	115.0	87.0	137.7	166.6
Alexandria	184.6	423.9	186.4	116.9	N.A.	176.3	130.2	81.9	164.4	N.A.
Bristol	121.8	212.3	116.1	109.7	73.2	50.3	N.A.	87.4	137.6	150.7
Cape Charles - Exmore	159.3	386.6	368.9	102.1	N.A.	124.7	N.A.	N.A.	119.5	143.0
Charlottesville	193.1	276.0	150.9	111.5	N.A.	176.0	N.A.	108.4	225.4	196.9
Danville	131.4	N.A.	79.0	101.8	116.5	124.4	N.A.	88.3	147.4	178.2
Franklin	127.4	N.A.	7.1	99.5	112.7	170.2	N.A.	94.2	125.7	165.1
Fredericksburg	176.8	199.3	6778.1	N.A.	136.0	238.1	N.A.	54.5	195.0	201.8
Harrisonburg	164.6	262.0	114.7	N.A.	157.2	121.0	N.A.	120.8	169.4	147.4
Lynchburg	198.6	403.5	192.1	113.6	N.A.	150.9	N.A.	99.1	148.2	377.1
Newport News - Hampton	141.1	234.6	100.9	105.4	104.1	133.6	110.0	100.4	150.2	N.A.
Norfolk - Va. Beach - Portsmouth	160.3	273.4	163.3	126.0	119.5	150.9	121.8	72.7	246.7	N.A.
Petersburg	126.5	157.5	4.1	N.A.	77.4	109.3	N.A.	110.7	138.0	142.7
Richmond	166.0	352.3	N.A.	129.1	116.6	173.8	114.6	81.2	158.4	N.A.
Roanoke	154.4	192.2	73.6	96.9	148.6	112.1	107.6	98.6	182.5	193.6
Staunton	117.8	143.5	114.4	N.A.	125.0	136.8	N.A.	N.A.	115.1	74.1
Williamsburg	132.5	68.7	250.7	137.4	N.A.	162.5	N.A.	87.8	127.7	220.1
Winchester	166.0	332.1	169.7	120.6	162.2	164.2	N.A.	123.1	113.1	252.3

TABLE II April, 1984

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	MARCH NON-AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	MARCH RETAIL SALES ‡
The State		9.4	12.3	2.8	17.4	19.9	4.7	5.5	6.9	27.5
Alexandria	10.0	41.5	-75.8	-0.4	N.A.	22.1	6.3	0.0	2.2	39.1
Bristol	18.3	4.6	78.5	2.7	3.7	15.6	3.4	-0.2	40.1	23.9
Cape Charles - Exmore	16.9	140.7	135.1	-1.3	N.A.	4.3	N.A.	N.A.	-14.2	16.3
Charlottesville	10.7	42.0	68.6	5.0	N.A.	29.3	2.5	0.7	-0.8	29.9
Danville	8.6	N.A.	26.0	3.7	21.0	11.1	2.3	1.7	7.5	14.4
Franklin	11.1	N.A.	-36.2	4.3	5.8	40.4	N.A.	5.2	7.4	-3.5
Fredericksburg	6.6	6.2	-79.1	N.A.	8.1	38.6	N.A.	6.6	-4.4	40.7
Harrisonburg	16.0	48.7	659.4	N.A.	7.0	17.8	N.A.	10.3	9.4	40.3
Lynchburg	2.1	-20.2	132.9	4.2	N.A.	1.0	4.4	-4.2	11.4	18.9
Newport News - Hampton	7.6	6.8	23.3	6.5	24.2	12.3	6.4	1.3	3.3	23.1
Norfolk - Va. Beach - Portsmouth	13.7	34.4	36.0	4.0	14.7	10.5	5.4	16.5	9.7	25.3
Petersburg	-1.7	-23.0	-87.7	N.A.	9.1	9.2	-1.4	-9.9	0.9	11.9
Richmond	10.9	13.6	122.5	3.1	21.5	30.3	3.3	3.3	5.1	23.7
Roanoke	13.0	-17.6	-54.9	6.0	23.8	14.2	4.2	3.9	24.5	20.5
Staunton	12.9	33.6	30.2	N.A.	16.1	50.8	N.A.	N.A.	-7.8	20.3
Williamsburg	10.2	44.1	40.2	3.0	N.A.	5.3	N.A.	13.0	2.1	26.6
Winchester	9.2	8.8	124.8	10.8	9.9	20.1	N.A.	17.5	2.2	48.9

TABLE III

Percentage Change January - April from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JAN-MAR NON-AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JAN-MAR RETAIL SALES‡
The State		13.4	38.9	11.4	13.0	25.0	4.8	5.4	7.6	24.6
Alexandria	15.7	34.7	17.9	8.3	N.A.	24.0	6.4	3.5	13.1	31.1
Bristol	19.8	-1.7	86.1	11.5	0.0	25.3	2.9	30.3	31.0	20.7
Cape Charles - Exmore	7.5	46.2	-20.6	-8.8	N.A.	43.3	N.A.	N.A.	-12.0	20.6
Charlottesville	11.5	46.1	196.5	11.2	N.A.	27.2	3.7	-9.4	1.9	23.7
Danville	10.1	N.A.	252.8	5.9	12.5	32.6	2.3	0.3	6.5	18.3
Franklin	11.2	N.A.	11.0	10.8	7.1	43.2	N.A.	-0.1	5.9	52.8
Fredericksburg	16.2	12.9	-64.1	N.A.	8.3	47.1	N.A.	8.0	12.3	44.5
Harrisonburg	13.6	34.2	209.5	N.A.	10.1	8.1	N.A.	8.2	11.5	33.9
Lynchburg	8.7	-11.3	-36.3	8.4	N.A.	21.6	4.6	9.6	10.9	27.0
Newport News - Hampton	9.6	16.0	38.8	9.8	17.6	18.0	6.3	10.0	1.8	17.7
Norfolk - Va. Beach - Portsmouth	16.0	50.0	31.3	11.3	14.1	18.4	5.9	7.9	8.7	23.3
Petersburg	-0.1	-17.7	171.7	N.A.	-0.7	21.8	-2.1	-8.3	1.3	13.6
Richmond	12.6	6.9	128.3	21.4	16.1	33.6	9.1	4.9	5.9	21.0
Roanoke	12.7	20.4	-30.9	11.1	15.0	26.5	3.9	6.9	7.2	24.2
Staunton	8.2	27.5	8.0	N.A.	6.0	25.1	N.A.	N.A.	-3.2	6.4
Williamsburg	8.4	10.2	184.7	10.2	N.A.	20.9	N.A.	18.2	-0.2	17.1
Winchester	11.2	10.5	55.5	14.2	10.1	23.8	N.A.	16.5	4.9	31.7

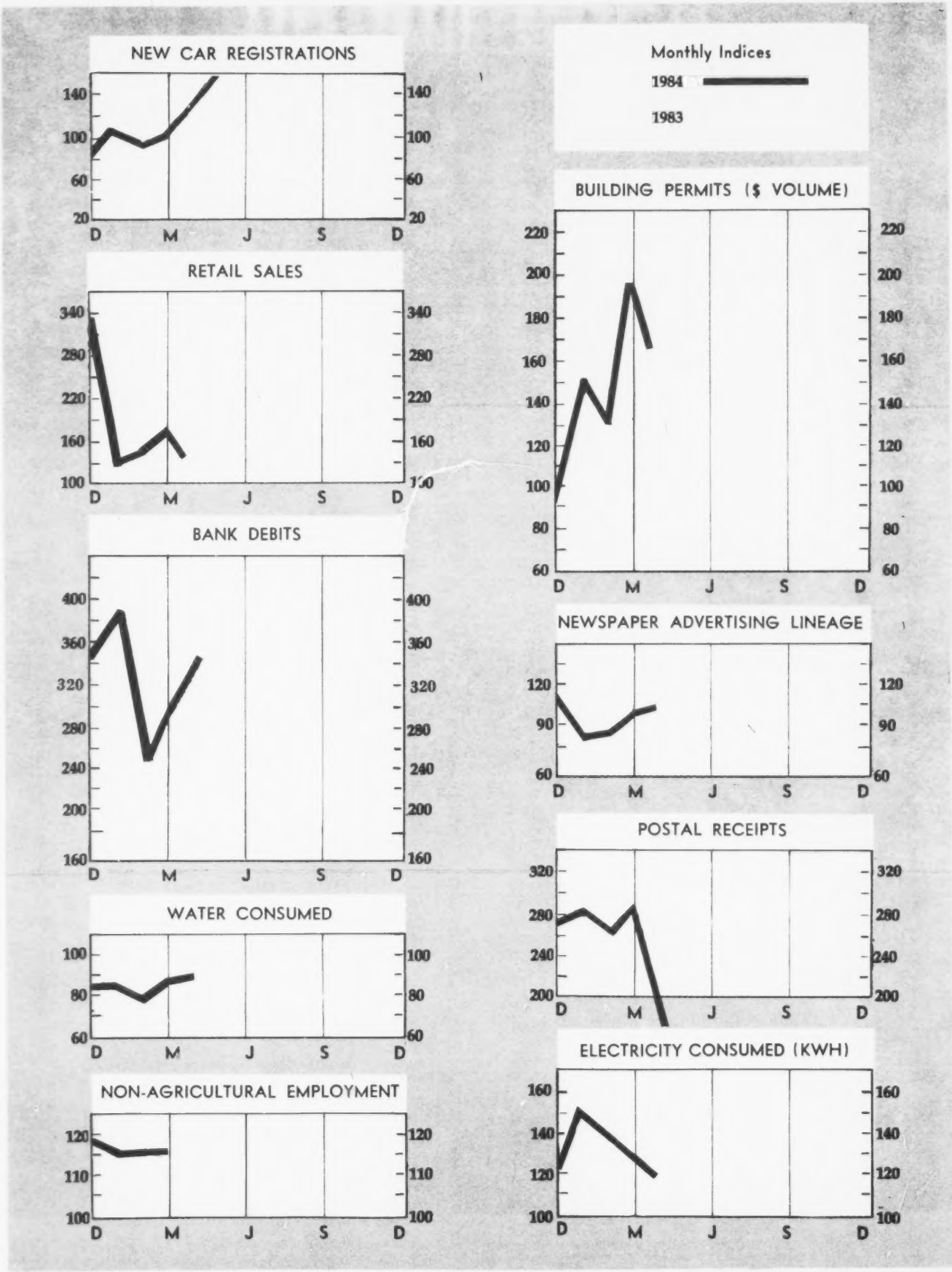
*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature, and the two lagging indicators.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

#Virginia Employment Commission data which lag behind current reports.

N.A. — Not Available
O.O. — No Change


NEW CAR REGISTRATIONS
RETAIL SALES
BANK DEBITS
WATER CONSUMED
NON-AGRICULTURAL EMPLOYMENT
Monthly Indices
1984
1983
BUILDING PERMITS ($ VOLUME)
NEWSPAPER ADVERTISING LINEAGE
POSTAL RECEIPTS
ELECTRICITY CONSUMED (KWH)
D
M
J
S
D

Economic and Financial Outlook for 1984 — May Update

(This guest commentary was written by Reynolds Professor John Parkany, formerly Vice-President and Senior International Economist, Wells Fargo Bank.)

The first four months of 1984. Real G.N.P. growth in the first quarter of 1984 registered 8.8 percent at an annual rate. This is an unusually strong rate of growth in the second year of an economic recovery. Practically all data published in April for the month of March, the final month of the first quarter, showed a significant slowdown in the rate of economic growth. However, the data published in May for the month of April again shows a resumption of vigorous economic growth in the second quarter of 1984. Interest rates remained unchanged in April but increased in the first half of May.

The interest rate question. By all previous standards interest rates are high. Except for relatively brief periods, such as during the 1973-1974 and 1980-1982 "credit crunches," the U.S. economy had much lower interest rates. The present level of interest rates is especially high when the interest rates are expressed in "real terms," i.e., after deducting from the nominal interest rates the rate of inflation. The bank prime rate at 12½ percent equals a 7½ percent real interest rate if we project the rate of inflation to be five percent, and residential mortgage rates at 14 percent are equal to a nine percent real interest rate. Until recently, in general terms, three percent real interest rates were considered normal.

The answer to the unusually high level of real interest rates lies in high inflationary expectations! In 1984 consumer prices are expected to increase about five percent. Real interest rates are at historically high levels even when a five percent rate of inflation is considered. It appears that the market is expecting a much higher rate of inflation in the future!

What about the decisions by consumers and businesses in the face of high interest rates? The "real incomes" of many consumers, that is their incomes after adjustments for inflation and taxes, are increasing for the first time in many years. Consumers postponed their discretionary purchases, such as the purchases of automobiles and other durable goods, for a long time. Consumer surveys taken in the spring of 1984 show record intentions of consumers to buy houses, automobiles and other durable goods. Reports of strong April retail sales are bearing out these predictions. Strong consumer sales are almost certain to continue through 1984.

How about businesses? After suffering sharp contractions, industrial production has been rising strongly for 17 months. The reported 1.4 percent increase in April shows that the demand for manufactured products continues to be firm and the outlook is for continued increases in industrial production through 1984. Business investments had dropped sharply since 1979 but they now are rising. Reports indicate that businesses plan to spend 12 percent more in real terms (that is, after inflation) in 1984 than in 1983. Much of the spending in 1984 is committed and financing for it is arranged. Thus, business spending will be firm in 1984 as well.

What about interest rates? There is an agreement that when the money supply grows faster than the economy, this then fuels inflation. It is the Federal Reserve System which controls the money supply mainly through the purchase and sale of U.S. Treasury issues. The objectives of the Federal Reserve System are to promote economic growth consistent with the smallest possible rate of inflation. Right now the Federal Reserve System can note the continued existence of large unemployment, significant unused capacity in manufacturing firms, and improved rates of savings on the part of businesses and consumers. At present, the rate of inflation is low as indicated by no increase in the April Producers Price Index. Therefore steady real growth seems to require top priority.

In May interest rates have been increasing. The commercial banks raised the prime rate to 12½ percent and the auctions of U.S. Treasury securities showed successive increases in interest rates. Residential mortgage interest rates, usually lagging, continued to creep upward. The Federal Reserve System at this particular point in time will be very careful to avoid any action which would bring the recovery to an end.

What is ahead in the balance of 1984? Given the above considerations, it must be assumed that the Federal Reserve System will pursue an accommodating money supply policy. This would permit interest rates to remain unchanged for the rest of the year.

Because of the high foreign exchange value of the U.S. dollar and the much slower growth of our trading partners, the U.S. merchandise trade balance (that is, the excess of U.S. imports over U.S. exports) deteriorated rapidly in 1984. It is expected to register $120 billion in 1984 (compared to $70 billion in 1983). The U.S. current account balance (which combines the trade deficit, net services and transfer payments) is expected to show a deficit of $100 billion in 1984 (compared to a deficit of $41 billion in 1983). Such a vast deterioration in our external balances will result in a weakening of the U.S. dollar — a welcome development as it will strengthen our exports. This will be especially helpful to our manufacturing and our agriculture.

We foresee the following changes in the foreign exchange value of the U.S. dollar from its current level: A ten percent increase in Deutsche mark to 40.5 cents, a 12 percent increase in Swiss franc to 51.5 cents, and a 15 percent increase in Japanese yen to 0.495 cents by year end 1984.

We project that the U.S. economy will continue to grow at a robust rate — although slower than in the first quarter of 1984. We foresee that in the second, third, and fourth quarters of 1984 real G. N. P. will grow, on the average, at a five percent annual rate. The result for the year will be a six percent growth in real G. N. P. in 1984 over 1983. J.P.

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 289 **June, 1984**

Business in Virginia May, 1984 Data

The May data shows a general slowing in Virginia's growth. One way to assess the current developments is to compare the May 1983 to May 1984 growth rates with the prior year-to-date growth rates for January-April, which were reported last month (for the two lagging indicators, nonagricultural employment and taxable sales, the comparison is April growth versus the January-March growth rates). For eight of the nine business indicators, the most recent month's growth rates were lower than the prior year-to-date growth rates. Thus slower growth is becoming evident in nearly all types of economic activity. Another way to examine the current results is to make a month to month comparison of April versus May. Changes in individual months can be quite erratic, so the month-to-month pattern generally is not as uniform in its signals. However, comparing just the last two months, five of the nine indicators had lower growth rates, and the four with higher growth do not contradict the conclusion that Virginia is moving to slower growth.

Bank debits, which measure checking account activity, grew at the unusually low rate of 1.5 percent in May, a reflection of the 13.4 percent growth for January-April. A more normal growth rate in June is almost certain. Building permits in May showed a 20.8 percent growth, about one-half of the January-April rate of 38.9 percent. The May growth was higher than April's low 12.3 percent growth, as we expected. Higher interest rates are affecting this sector, but they definitely have not shut down future building plans in the Commonwealth: the 20.8 percent growth in May is a very healthy increase.

Last month we reported that electricity consumed and our retail sales sample rather surprisingly showed lower growth in April than in March. For both, the May growth rates rebounded to more normal levels. Electricity consumption grew by 5.4 percent in May, almost twice the April rate of 2.8 percent but still about one-half of the 11.4 perent January-April rate. The May retail sales growth of 10.0 percent also was a pleasant rebound from the low 6.9 percent growth in April. Furthermore, the May growth was significantly better than the January-April growth of 7.5 percent. Remember our retail sales sample mainly reflects demand for nondurable goods and services, and at this stage of the nation's recovery consumer demand generally shifts more strongly to these types of purchases. This measure also includes tourist demand, which is likely to be stronger this summer than last. So, this retail sales indicator should continue to grow at a high rate in the coming months.

The April growth of 4.5 percent in nonagricultural employment was only slightly below the March growth of 4.7 percent and the January-March growth of 4.8 percent. The steady growth in employment reduced the Commonwealth's unemployment rate to 4.3 percent in April, another indication that the slower growth still is producing a very healthy economic expansion in the State.

The recent data do confirm that consumer durable goods demand is growing more slowly. The April taxable sales data available this month showed a 23.3 percent growth. Still strong, but lower than the 27.5 percent in March and below the January-March rate of 24.6 percent. May new car registrations are an even stronger indicator of lower growth in durable goods demand. The May increase was 16.0 percent, compared to 19.9 percent in April and a January-April growth rate of 25.0 percent. National and State developments point to lower growth rates in the future for both taxable sales and new car registrations.

In sum, there is broad evidence that Virginia's growth is slowing as expected. However, the evidence is equally strong that our growth still is sufficient to maintain a healthy expansion in jobs, real income, and trade. RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change May, 1984 from May, 1983

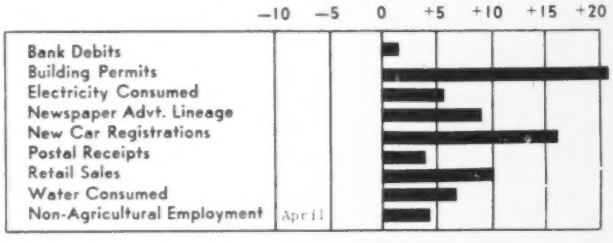
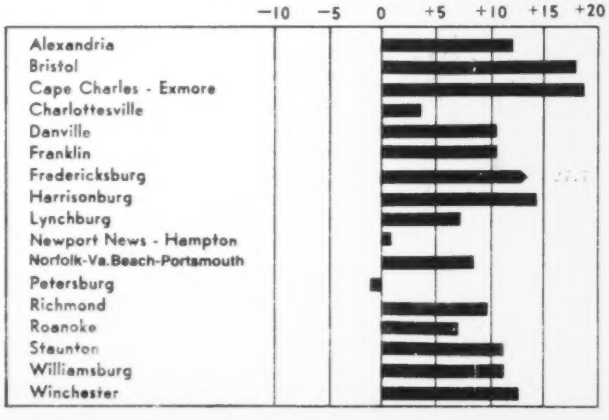


Chart II

City Indices

Percentage Change May, 1984 from May, 1983



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I May, 1984 — Monthly Index Number Comparisons to Current Month in Same Month in Base Period (1967 = Base Period = 100)

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	APRIL NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		311.9	139.6	108.8	125.9	128.9	116.6	90.9	159.8	197.3
Alexandria	188.6	535.0	100.1	102.9	N.A.	146.6	132.8	94.7	165.7	N.A.
Bristol	140.0	216.1	96.7	91.7	106.2	96.3	N.A.	85.6	153.0	207.2
Cape Charles - Exmore	142.8	303.6	392.8	95.8	N.A.	91.0	N.A.	N.A.	117.8	155.5
Charlottesville	187.4	314.6	249.9	109.5	N.A.	131.3	N.A.	168.7	191.8	199.9
Danville	127.1	N.A.	193.5	111.3	124.1	111.9	N.A.	89.4	139.5	154.8
Franklin	124.7	N.A.	143.4	91.5	116.4	115.4	N.A.	107.3	138.8	150.8
Fredericksburg	192.2	328.7	219.9	N.A.	148.6	164.5	N.A.	57.7	215.5	191.8
Harrisonburg	180.0	250.2	696.8	N.A.	176.6	111.0	N.A.	127.0	199.6	176.3
Lynchburg	147.5	379.6	104.0	102.6	N.A.	134.7	N.A.	115.5	135.5	440.9
Newport News - Hampton	128.3	129.9	201.7	93.8	115.8	120.6	131.0	110.1	151.3	N.A.
Norfolk - Va. Beach - Portsmouth	159.1	216.1	215.5	107.3	124.1	119.7	121.5	77.3	222.1	N.A.
Petersburg	121.1	176.8	97.5	N.A.	71.5	93.1	N.A.	90.8	127.0	155.6
Richmond	148.5	340.2	N.A.	120.7	126.0	130.4	114.3	100.8	137.8	139.4
Roanoke	139.4	148.6	189.0	99.4	111.6	155.4	108.6	105.1	160.9	182.3
Staunton	125.3	135.4	35.5	N.A.	122.6	114.1	N.A.	N.A.	108.9	178.0
Williamsburg	144.2	211.1	252.9	129.4	N.A.	140.3	N.A.	94.1	135.6	172.0
Winchester	154.7	343.8	83.7	111.4	204.3	136.5	N.A.	124.1	105.9	N.A.

TABLE II May, 1984 — Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	APRIL NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	APRIL RETAIL SALES ‡
The State		1.5	20.8	5.4	8.6	16.0	4.5	6.2	10.0	21.3
Alexandria	12.3	32.2	-79.9	1.0	N.A.	15.8	6.0	-2.9	13.4	23.9
Bristol	17.2	-28.9	296.2	5.7	-0.2	13.3	3.0	46.4	35.4	27.6
Cape Charles - Exmore	18.6	83.9	-43.0	3.0	N.A.	21.5	N.A.	N.A.	1.0	18.6
Charlottesville	3.7	35.2	73.8	7.4	N.A.	-1.7	1.7	3.6	-6.3	30.9
Danville	10.3	N.A.	583.9	7.2	22.9	17.7	2.1	26.4	-0.6	26.4
Franklin	10.5	N.A.	68.5	0.9	4.6	14.8	N.A.	-7.4	20.2	5.5
Fredericksburg	27.7	92.9	419.8	N.A.	10.9	22.2	N.A.	2.3	21.8	62.9
Harrisonburg	14.6	33.6	89.4	N.A.	17.5	17.6	N.A.	-4.0	12.6	45.4
Lynchburg	7.2	-25.3	-27.8	2.0	N.A.	23.5	3.8	23.0	9.0	28.0
Newport News - Hampton	0.6	-9.6	34.3	10.3	14.4	19.2	5.6	-6.4	-7.7	14.7
Norfolk - Va. Beach - Portsmouth	8.2	-15.0	29.9	8.2	11.5	14.0	5.3	12.3	11.4	26.8
Petersburg	-0.8	-24.7	30.5	N.A.	-8.1	19.0	-1.2	2.8	1.8	12.9
Richmond	9.8	15.2	-26.6	6.7	17.0	19.3	2.6	5.8	4.8	24.5
Roanoke	7.1	-28.1	284.1	7.9	-20.6	10.6	3.1	3.8	27.6	24.1
Staunton	11.3	38.4	-7.4	N.A.	1.4	17.3	N.A.	N.A.	3.6	21.6
Williamsburg	11.8	27.8	151.6	3.5	N.A.	22.2	N.A.	-1.7	10.3	19.3
Winchester	12.6	22.6	27.4	11.8	32.0	9.5	N.A.	5.2	6.6	40.3

TABLE III — Percentage Change January - May from same period last year

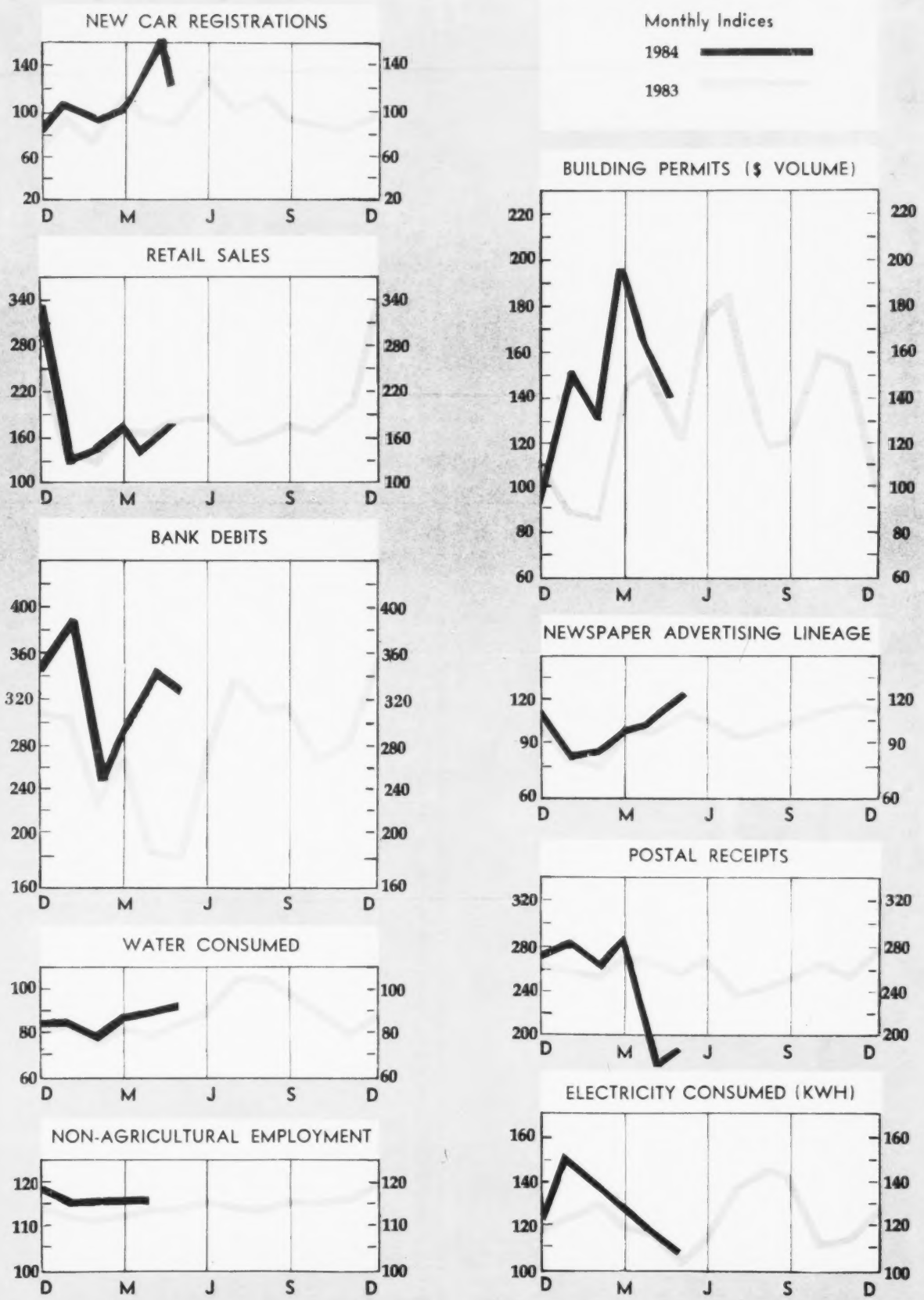
CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JAN-APR NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	JAN-APR RETAIL SALES ‡
The State		10.6	35.1	10.4	12.0	22.7	4.7	6.2	8.1	24.2
Alexandria	14.9	31.2	-10.0	7.1	N.A.	21.9	6.3	2.0	13.1	29.2
Bristol	19.1	-8.7	115.0	10.6	0.0	22.1	2.9	33.2	31.9	22.6
Cape Charles - Exmore	8.6	49.7	-29.9	-6.7	N.A.	38.1	N.A.	N.A.	-9.9	20.1
Charlottesville	9.6	43.6	178.2	10.5	N.A.	19.8	3.2	-6.6	0.0	25.5
Danville	10.0	N.A.	273.9	6.2	14.9	24.0	2.2	5.0	5.0	20.4
Franklin	10.9	N.A.	36.6	9.1	6.6	32.9	N.A.	-1.9	8.9	39.1
Fredericksburg	20.5	43.4	-38.9	N.A.	8.9	40.9	N.A.	6.8	14.5	49.6
Harrisonburg	13.9	34.1	182.4	N.A.	11.8	10.8	N.A.	5.3	11.6	37.0
Lynchburg	8.5	-13.7	-35.0	7.2	N.A.	22.1	4.4	12.1	10.5	27.3
Newport News - Hampton	7.6	10.6	37.9	9.9	16.8	18.3	5.9	6.2	-0.4	16.9
Norfolk - Va. Beach - Portsmouth	12.9	24.9	31.0	10.8	13.5	17.4	5.8	8.8	9.3	24.3
Petersburg	-0.3	-19.1	123.0	N.A.	-2.4	21.2	-1.9	-6.2	1.4	13.4
Richmond	12.0	8.6	73.5	18.7	16.3	30.1	4.3	5.1	5.7	21.9
Roanoke	10.9	8.3	10.2	10.5	6.6	22.5	3.7	6.2	11.2	24.2
Staunton	8.7	29.7	6.2	N.A.	4.9	23.0	N.A.	N.A.	-1.9	20.5
Williamsburg	9.1	13.8	177.8	8.9	N.A.	21.2	N.A.	12.9	2.2	17.9
Winchester	11.6	12.9	48.4	13.7	14.9	20.3	N.A.	14.1	5.2	33.9

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

#Virginia Employment Commission data which lag behind current reports.


Monthly Indices
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1983
NEW CAR REGISTRATIONS
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RETAIL SALES
340
280
220
160
100
BANK DEBITS
400
360
320
280
240
200
160
WATER CONSUMED
100
80
60
NON-AGRICULTURAL EMPLOYMENT
120
110
100
BUILDING PERMITS ($ VOLUME)
220
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
120
90
60
POSTAL RECEIPTS
320
280
240
200
ELECTRICITY CONSUMED (KWH)

Travel Expenditures, 1983 and 1984

During the past month, two data sources were published: The Virginia Department of Taxation's detailed annual report of taxable sales for 1983, and the Virginia Division of Tourism's *Travel in Virginia 1983, An Economic Analysis.* Our commentary this month will be devoted mainly to a comparison of the two reports, plus a perspective on 1984.

Travel in Virginia contains estimates of spending in the Commonwealth by all travelers, defined as "persons traveling away from home overnight, or to a place 100 miles or more away from home for any purpose except commuting to and from work." Most of the spending, 60 percent, was by out-of-State visitors. However, 20 percent was spent by Virginians traveling to Virginia destinations, and 20 percent was spent within the State by Virginians on their way to out-of-State destinations. The 40 percent spent by Virginians is an important contribution to the State's economy, since these expenditures generate income here instead of in another state — the impact is just as great when a Virginian vacations here as it is when the traveler is from Pennsylvania or Texas or France. So, the appropriate measure, which *Travel in Virginia* reports, is the expenditures by travelers as defined above, rather than just the spending by out-of-State visitors.

Let us now turn to the question — how did we do? In Virginia, travel expenditures reached $3,661 million in 1983, an increase of 8.9 percent over 1982. And, those expenditures were equal to 15.0 percent of the Commonwealth's taxable sales. A very substantial contribution. However, taxable sales increased by 12.2 percent in 1983, a growth rate well above the growth in travel expenditures. Travel spending in Virginia did rebound in 1983, but not as strongly as total spending did. Thus the travel share slipped from 16.0 percent of taxable sales in 1981 to 15.4 in 1982 and 15.0 percent in 1983.

The first year of economic recovery in Virginia's retail trade was very strongly dominated by local consumption, the result of Virginians buying from Virginians. This is quite normal. In the first year of recovery, the leading forces generally are consumer durable goods demand and residential housing — the strength in these two areas overshadows growth in other types of spending such as travel. In the second year, however, we generally see a slowdown in the growth of these types of spending, and increased strength in the demand for nondurable goods and services, which include travel. Nationally, that slowdown in growth seems to be happening now: residential housing demand has fallen in April and Mary, and automobile demand appears to be weakening in June. At the same time, consumer travel plans nationwide remain quite high; and the early indications are the summer travel season in Virginia will produce higher growth in travel receipts for 1984 than we realized in 1983. An increase in 1984 of 15 percent, which is two-thirds higher than last year's growth, is expected.

The travel impact varied in different parts of the Commonwealth last year, so a review of the seventeen areas covered by us is appropriate, giving the 1983 growth rates in travel expenditures and taxable sales, and the ratio of travel spending to taxable sales.

In four local areas, travel receipts grew at a higher rate than taxable sales. The star performance was in Harrisonburg and Rockingham County: travel receipts increased 38.4 percent in 1983 compared to a 10.1 percent gain in taxable sales. Here, travel expenditures in 1983 were equal to 10.1 percent of total taxable sales. Charlottesville, where travel receipts accounted for 12.0 percent of 1983's taxable sales, also had good tourism growth, 15.1 percent, versus only a 10.0 percent increase in taxable sales. The other two areas were Danville, with 12.3 percent travel receipts growth versus 7.0 percent for taxable sales; and Franklin, with 6.0 percent growth in travel expenditures and 4.9 percent in taxable sales. However, tourism is a relatively minor part of the economic activity in these two areas.

For the other thirteen local areas, travel receipts grew by a lower percentage than taxable sales. We will review these in the order of their 1983 travel growth rates. The Norfolk-Portsmouth-Virginia Beach area realized a very substantial travel growth of 12.8 percent, but general expansion in the area produced a slightly higher 13.2 percent taxable sales growth. The Alexandria area followed the same pattern: 11.2 percent travel receipts growth, but an even stronger 14.9 percent taxable sales growth. The Williamsburg-James City County area realized a 9.9 percent travel expenditures growth, but a far higher 17.9 percent growth in taxable sales. However, travel receipts here still were equal to 87.6 percent of total taxable sales in 1983, showing the continued dominance of tourism.

Petersburg had an 8.9 percent travel growth, with a 12.0 percent taxable sales growth. These travel receipts equaled 12.6 percent of taxable sales in 1983, so a good tourism season in 1984 could be a welcome offset to the recent decreases in manufacturing activity. The Cape Charles-Exmore area, where travel expenditures were 24.7 percent of 1983 taxable sales, had moderate growth in both: 6.1 percent in travel receipts, and 7.8 percent in taxable sales. Winchester and Fredericksburg both had well above average growth in taxable sales because of the expansion of local businesses, but little tourist growth. In Winchester, taxable sales rose 19.1 percent, while travel receipts increased 2.9 percent. For Fredericksburg, the taxable sales growth was 21.0 percent, but travel growth was only 2.8 percent. The Hampton-Newport News taxable sales growth was a more moderate 10.6 percent, while travel receipts were almost unchanged with only 0.8 percent growth.

The remaining five areas had a decrease in travel receipts. In the Richmond area, the decrease was only 0.9 percent, while taxable sales increased 12.6 percent. Lynchburg saw a decline of 2.3 percent, with taxable sales growth of 8.2 percent. The areas which benefited most in 1982 from the Knoxville World's Fair traffic had the largest travel decreases in 1983. Roanoke travel revenue was down 4.4 percent, with taxable sales up 11.6 percent. Bristol's travel decline was 10.3 percent, contributing to its growth of only 4.3 percent in taxable sales. The largest travel receipt decrease was in Staunton, a decline of 21.8 percent, accompanied by a 6.5 percent growth in taxable sales.

In general, travel expenditure growth was a force which helped achieve recovery in 1983, but a weaker force than local consumer and business expansion. In 1984, travel receipts growth promises to be a much stronger factor, leading rather than following the retail sales momentum in more areas of the State. RLP

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 290 **July, 1984**

Business in Virginia June, 1984 Data

Smooth sailing with a steady breeze. That generally describes the economic performance in June, for the State and nearly all urban areas, for the types of business activity reported in Table II. Statewide, new car registrations grew year-over-year by 15.1 percent in June, compared to 16.0 percent in May, a decrease of only .9 percent. Our retail sample revealed 9.7 percent growth in June versus 10.0 percent in May, a mere 0.3 percent difference. That degree of stability in the growth rates makes the deceleration in growth barely noticeable.

Electricity consumed and water consumed both returned to double-digit increases in June, 12.0 percent and 11.0 percent respectively. These measures reflect household acitivity and weather as well as business activity. However, their strong simultaneous acceleration last month implies business output grew substantially. A good indicator that employment should continue to increase at a satisfactory pace.

The lagged data from May for nonagricultural employment and taxable sales confirmed our expectation last month that a healthy expansion in jobs and trade still was occurring. The May employment growth was 4.3 percent, only slightly below April's 4.5 percent. Taxable sales growth in May accelerated slightly, to 24.8 percent versus 23.3 percent in April. Here again, very stable growth rates!

Building permits did grow by only 10.3 percent in June, a substantial drop from the 29.0 percent increase in May. However, remember the June rate represents a comparison against June 1983, when the building boom really hit, pushing building permits up by 91.3 percent over June 1982. Because June and July 1983 were such extraordinary months for building permits, merely **matching** that performance would be an outstanding accomplishment. The fact that building permits this June were up by 10.3 percent compared to last year is very good news. We do expect higher interest rates to dampen construction activity in the future; but, the June figures do not show much, if any, negative effect has occurred so far.

While still looking at the good news, a salute to Petersburg is appropriate. The June data indicate that growth in construction activity, retail trade and services is moving that area into economic recovery. Plus, their May unemployment rate of 7.1 percent slightly bettered the national one at that time of 7.2 percent. We look for that upward momentum to continue.

There are some disturbing crosscurrents at work underneath the overall scene. Nationwide, as well as in Virginia, the consumer spending for durable goods, especially automobiles, furniture, and household appliances, has continued to increase more strongly than expected. Current high demand for those goods seems to have been partially at the expense of tourism, nationwide. Virginia was hit, too, with tourism down somewhat in many parts of the State in June, and disappointing early July reports. We anticipated last month that consumer spending would shift from durable goods to tourism, as appeared to have happened in May. But in June the shift seems to have gone the other way--from tourism to durable goods. That should not continue throughout July and August, but we have no real evidence of a reversal yet. RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change June, 1984 from June, 1983

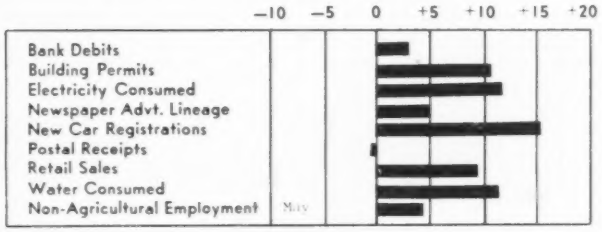
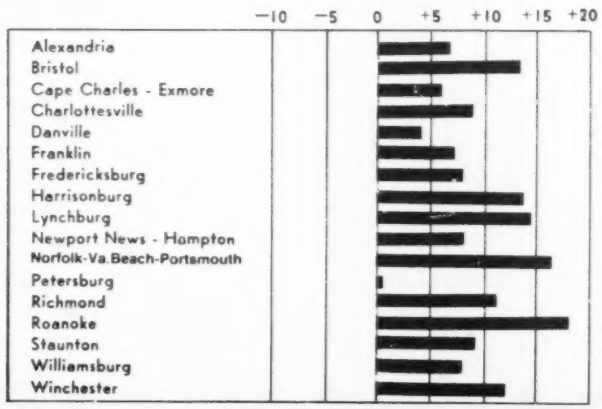


Chart II

City Indices

Percentage Change June, 1984 from June, 1983



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SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I June, 1984

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	MAY NON AGRI CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		370.5	220.7	124.6	117.8	113.6	119.9	97.3	150.7	263.2
Alexandria	213.8	852.5	892.0	127.1	N.A.	155.1	387.4	103.2	150.1	N.A.
Bristol	148.0	247.7	186.4	89.6	68.7	129.0	N.A.	93.3	144.6	263.3
Cape Charles - Exmore	149.2	244.6	229.9	111.4	N.A.	105.3	N.A.	N.A.	142.1	209.3
Charlottesville	175.1	246.7	260.7	118.9	N.A.	182.6	N.A.	120.5	178.7	245.3
Danville	126.6	N.A.	263.5	121.1	103.7	112.1	N.A.	93.6	153.7	222.1
Franklin	128.6	N.A.	17.6	112.8	107.7	148.4	N.A.	97.6	132.1	243.0
Fredericksburg	172.2	168.3	446.5	N.A.	133.9	211.8	N.A.	64.1	192.5	275.4
Harrisonburg	164.6	247.6	134.8	N.A.	123.0	126.6	N.A.	123.4	177.3	249.9
Lynchburg	263.9	373.0	323.4	113.5	N.A.	146.6	N.A.	116.0	146.8	662.3
Newport News - Hampton	143.9	238.6	244.6	112.4	77.6	129.9	65.1	120.8	150.7	N.A.
Norfolk - Va. Beach - Portsmouth	166.2	286.3	263.5	135.8	125.8	142.0	85.6	87.7	189.5	N.A.
Petersburg	116.3	183.8	416.6	n.a.	80.6	90.3	N.A.	99.9	120.6	173.5
Richmond	154.7	378.6	304.1	140.2	110.7	133.3	116.0	116.4	116.6	219.7
Roanoke	157.8	416.1	59.1	97.6	134.5	102.6	107.1	112.0	165.9	249.8
Staunton	127.3	149.4	19.4	N.A.	73.5	131.1	N.A.	N.A.	136.5	204.3
Williamsburg	163.2	194.8	181.5	154.6	N.A.	180.3	N.A.	103.4	131.3	323.7
Winchester	152.7	347.4	54.2	115.9	170.8	149.3	N.A.	121.2	108.5	248.4

TABLE II June, 1984

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	MAY NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	MAY RETAIL SALES ‡
The State		2.8	10.3	12.0	5.0	15.1	4.3	11.0	9.7	24.8
Alexandria	6.6	18.4	52.5	9.9	N.A.	9.2	5.6	10.7	3.3	24.7
Bristol	13.3	-1.6	200.5	15.3	-4.1	45.2	4.6	1.2	11.9	21.3
Cape Charles - Exmore	5.7	40.1	-67.2	8.2	N.A.	20.4	N.A.	N.A.	0.0	9.5
Charlottesville	3.5	-2.2	260.9	13.9	N.A.	7.1	1.2	8.1	-2.8	26.2
Danville	3.9	N.A.	117.0	3.6	-3.9	10.7	1.8	2.2	5.0	34.4
Franklin	7.1	N.A.	-75.9	12.6	1.9	34.3	N.A.	-13.3	4.7	-23.9
Fredericksburg	7.9	3.2	121.2	N.A.	7.5	24.6	N.A.	3.2	4.0	54.7
Harrisonburg	13.3	21.1	-48.4	N.A.	9.0	21.1	N.A.	13.8	11.9	27.7
Lynchburg	14.6	-25.1	118.1	12.4	N.A.	21.2	4.3	10.4	14.5	18.1
Newport News - Hampton	7.8	6.0	73.2	13.2	0.1	31.7	5.8	-4.1	4.6	24.8
Norfolk - Va. Beach - Portsmouth	16.2	-1.2	5.6	15.1	13.7	26.8	5.5	25.4	10.9	26.4
Petersburg	0.6	8.0	600.4	N.A.	-20.2	-5.8	-0.5	4.7	8.2	21.2
Richmond	11.1	0.9	-31.9	12.5	10.1	7.5	2.4	15.0	10.9	24.9
Roanoke	17.7	38.7	124.3	15.4	1.3	11.4	3.3	9.5	28.8	24.4
Staunton	8.8	13.6	-95.9	N.A.	-7.5	43.9	N.A.	N.A.	2.5	23.7
Williamsburg	7.8	9.3	-56.0	10.9	N.A.	22.5	N.A.	4.2	3.0	3.4
Winchester	12.1	17.4	-30.7	9.8	12.7	20.5	N.A.	12.1	9.9	37.7

TABLE III

Percentage Change January - June from same period last year

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JAN. - MAY NON-AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	JAN.-MAY RETAIL SALES ‡
The State		9.2	29.0	10.6	12 0	21.1	4.6	7.1	8.4	24.3
Alexandria	10.6	31.2	5.7	7.5	N.A.	19.1	5.2	3.6	11.1	28.1
Bristol	20.9	-7.4	137.2	11.2	-0.7	26.4	2.6	26.1	27.7	22.3
Cape Charles - Exmore	1.1	48.8	-41.0	-4.3	N.A.	34.2	N.A.	N.A.	-8.1	17.5
Charlottesville	3.7	32.9	183.9	11.1	N.A.	16.7	2.8	-4.0	-0.5	25.7
Danville	8.8	N.A.	240.2	5.7	11.2	25.2	2.0	4.5	5.0	23.2
Franklin	10.2	N.A.	5.4	9.6	5.8	35.5	N.A.	-4.0	8.1	23.7
Fredericksburg	14.8	37.3	-7.0	N.A.	8.6	37.1	N.A.	6.1	12.4	50.8
Harrisonburg	11.0	31.8	112.5	N.A.	11.4	12.7	N.A.	6.7	11.8	34.9
Lynchburg	12.6	-15.3	-13.7	8.0	N.A.	21.9	3.9	11.8	11.2	25.2
Newport News - Hampton	7.3	9.8	43.7	10.4	13.7	21.0	5.1	4.2	0.5	18.6
Norfolk - Va. Beach - Portsmouth	12.1	19.7	25.3	11.4	13.5	19.3	4.9	11.7	9.6	24.8
Petersburg	2.2	-15.7	236.7	N.A.	-5.6	15.0	-1.2	-4.4	2.7	15.1
Richmond	12.1	7.2	16.9	17.6	15.2	25.2	2.7	7.0	6.6	22.6
Roanoke	13.4	12.2	17.7	11.2	13.3	20.2	3.2	6.8	14.1	24.2
Staunton	5.3	27.1	-54.3	N.A.	2.8	27.1	N.A.	N.A.	-1.1	13.4
Williamsburg	8.1	13.0	74.4	9.3	N.A.	21.5	N.A.	11.0	2.2	13.3
Winchester	11.4	13.7	30.3	13.1	14.5	20.4	N.A.	13.8	5.9	34.9

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
#Virginia Employment Commission data which lag behind current reports.

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NONAGRICULTURAL EMPLOYMENT IN VIRGINIA AND TEN STANDARD METROPOLITAN STATISTICAL AREAS

TABLE IV May, 1984 Employment in Thousands

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	2,287.8	193.3	218.3	126.5	123.9	502.5	114.9	474.2	164.5	350.5
Sum of SMSAs	1,703.4	128.6	114.5	95.2	97.9	391.6	96.4	386.5	148.1	243.4
Northern Virginia	532.1	17.7	10.1	32.0	36.5	122.8	31.8	155.8	71.2	53.8
Bristol	27.4	5.0	4.3	1.1	1.1	6.4	0.9	3.5	0.5	4.5
Charlottesville	58.9	6.7	3.4	2.9	1.9	10.1	2.8	9.3	1.1	20.6
Danville	40.4	3.4	15.4	1.5	1.0	7.5	1.2	5.1	0.3	4.9
Lynchburg	72.3	17.1	10.4	2.8	3.0	12.6	3.3	12.8	0.6	9.7
Newport News	167.2	33.4	6.2	8.3	4.8	34.8	5.0	35.1	17.4	22.1
Norfolk	317.9	16.6	11.2	22.0	20.1	79.0	16.4	70.0	38.6	44.1
Petersburg	41.4	2.0	5.1	1.8	1.2	8.3	1.2	7.1	4.9	9.6
Richmond	340.6	16.0	39.3	17.0	20.2	82.5	27.4	65.1	10.2	62.6
Roanoke	105.2	10.7	9.1	5.8	8.1	27.6	6.4	22.7	3.3	11.5

NONAGRICULTURAL EMPLOYMENT IN VIRGINIA AND TEN STANDARD METROPOLITAN STATISTICAL AREAS

TABLE V Employment Percentage Change, May 1983 - May 1984

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	4.3	7.4	0.8	13.1	3.4	6.2	5.6	3.5	1.0	1.8
Sum of SMSAs	4.3	7.4	0.7	13.3	2.6	6.0	3.4	4.8	2.3	.3
Northern Virginia	5.6	14.9	16.1	17.2	6.1	7.2	4.3	6.3	2.7	-5.1
Bristol	4.6	19.0	4.9	22.2	0.0	0.0	0.0	2.9	0.0	-4.3
Charlottesville	1.2	1.5	-2.9	3.6	0.0	3.1	0.0	1.1	0.0	1.0
Danville	1.8	13.3	-1.3	7.1	0.0	1.4	9.1	0.0	0.0	2.1
Lynchburg	4.3	5.6	6.1	7.7	3.4	1.6	3.1	1.6	0.0	7.8
Newport News	5.8	4.4	0.0	18.6	0.0	9.1	8.7	7.0	2.4	2.3
Norfolk	5.5	11.4	1.8	16.4	1.0	6.9	6.5	5.9	1.6	2.1
Petersburg	-0.5	0.0	-12.1	0.0	0.0	1.2	0.0	4.4	-2.0	0.0
Richmond	2.4	8.1	-2.0	4.9	2.0	3.6	0.4	2.4	6.2	2.3
Roanoke	3.3	0.9	2.2	13.7	-3.6	9.5	3.2	0.4	0.0	0.0

NONAGRICULTURAL EMPLOYMENT IN VIRGINIA AND TEN STANDARD METROPOLITAN STATISTICAL AREAS

TABLE VI Relative Percentage Change, State Less Nation and SMSAs Less State, May 1983 - May 1984

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	-0.2	-1.7	-3.0	1.3	0.6	1.6	2.1	-1.7	0.5	1.6
Sum of SMSAs	0.0	0.0	-0.1	0.2	-0.8	-0.2	-2.2	1.3	1.3	-1.5
Northern Virginia	1.2	7.5	15.3	4.1	2.7	1.0	-1.3	2.8	1.7	-6.9
Bristol	0.2	11.6	4.1	9.1	-3.4	-6.2	-5.6	-0.5	-1.0	-6.1
Charlottesville	-3.1	-5.9	-3.6	-9.6	-3.4	-3.2	-5.6	-2.4	-1.0	-0.8
Danville	-2.6	5.9	-2.1	-6.0	-3.4	-4.9	3.5	-3.5	-1.0	0.3
Lynchburg	0.0	-1.8	5.3	-5.5	0.0	-4.6	-2.5	-1.9	-1.0	5.9
Newport News	1.5	-3.0	-0.8	5.4	-3.4	2.9	3.1	3.5	1.3	0.5
Norfolk	1.2	4.0	1.0	3.3	-2.4	0.7	0.9	2.4	0.5	0.3
Petersburg	-4.8	-7.4	-12.9	-13.1	-3.4	-5.0	-5.6	0.9	-3.0	-1.8
Richmond	-1.9	0.7	-2.8	-8.2	-1.4	-2.6	-5.2	-1.1	5.2	0.5
Roanoke	-1.0	-6.4	1.5	0.6	-7.0	3.3	-2.4	-3.0	-1.0	-1.8

Sources: Virginia Employment Commission, Employment, Hours, and Earnings, June 1984.
Joint Economic Committee, Economic Indicators, June 1984.
Bureau of Business Research, calculations.

Growth in Virginia and Its SMSAs

Frequently we are asked which geographic areas and industries are growing the fastest, so this month we decided to partially answer such questions. We say partially because the answers depend on **what** you measure, and **how** you measure it. A few factors you could measure are dollar sales, business profits, or employment. We chose employment for two reasons: first, it is of most interest to the general public; and secondly, detailed statistics for nonagricultural employment by area and industry are available through May, making it the most current measure available. Our choice for how to measure it is the percentage change from May 1983 through May 1984.

The numbers are given on the preceding page, in Tables IV through VI. Table IV provides the May, 1984 nonagricultural employment, in total and for each of nine industry groups, for the State, for the ten Standard Metropolitan Statistical Areas (SMSAs) for which detailed industry statistics are available, and for the ten SMSAs combined. These numbers offer a perspective on the importance of each industry in the total employment in each area. Table V shows the employment growth rates for the past year, by area and by industry. The first column gives the percent change in total nonagricultural employment by geographic area. The remaining nine columns give the percent change for each industry group. These nine columns **only** show which industry groups grew at the highest rate in the past year. They do **not** directly indicate which industry contributed the most to the **total** growth in an area since the contribution depends on the industry's size as well as its growth rate.

The data in Table VI give the **relative** performance. For the **State,** the national growth rates were subtracted from the Virginia ones to show whether we grew faster or slower than the nation. For each **SMSA,** the State growth rate was subtracted from the SMSA rate to show how much the local growth rate exceeded or fell short of the **Virginia** growth rate. (If you wish to see how well your area did relative to the nation, add the State row to your SMSA's row. The sum is how many percentage points faster or slower your area grew than the nation).

For the State, Table V shows nonagricultural employment grew by 4.3 percent, and all nine industry groups had positive growth rates. The fastest growing sector was construction, which grew by 13.1 percent. Other high growth industries were durable goods manufacturing, 7.4 percent; wholesale and retail trade, 6.2 percent; and finance, insurance, and real estate (FIRE), 5.6 percent. But, how fast did the State grow compared to the nation? Table VI gives the answers. Total State nonagricultural employment grew by .2 percent less than the national growth rate. By industries, we exceeded the national growth rates significantly in the FIRE group (+2.1 percent), and trade and State and local government employment (both +1.6 percent). The construction growth rate was only slightly above the nation's, and in both types of manufacturing the State growth rate was below the national one.

Taking the ten SMSAs as a group, the urban employment growth was the same 4.3 percent as for the State. In only three industry groups did the all-SMSA growth rates exceed those for the State: services and Federal government, both 1.3 percent above the State growth rates, and construction, a slight .2 percent higher. For the other six industry groups, the fact that the all-SMSA growth rates were below those for the State says **above** average growth rates were achieved in the cities and counties **outside** of the ten SMSAs.

Looking at the entries in Table V for each of the ten SMSAs and each of the nine industry groups, there are only eight negative rates out of those 90 entries. Therefore the overall picture predominantly was one of employment growth, across cities and across industries. Turning to the individual SMSAs, our focus will be on the relative measures in Table VI, showing where the growth rates exceeded or fell short of the State growth rates.

The Newport News-Hampton SMSA had the highest overall employment growth rate, 5.8 percent, exceeding the State average by 1.5 percent. Higher shipbuilding employment was a big factor, but neither it nor durable goods manufacturing employment (of which it is a part) had the highest growth **rates.** In relative terms, the SMSA outperformed the State in construction (+5.4 percent over the State average), services (+3.5 percent), and the FIRE group (+3.1 percent).

The Northern Virginia and Norfolk SMSAs were almost tied for second place, with employment increases of 5.6 and 5.5 percent, respectively. For Northern Virginia, the two industry groups which most outpaced the State were nondurable goods manufacturing (15.3 percent above the average) and durable goods manufacturing (+7.5 percent). Total manufacturing only accounts for 7.9 percent of the SMSA's employment, but it has been the fastest growing sector in the past year. The Norfolk SMSA gets the award for the most balanced performance. The growth rates in eight of the nine industry groups exceeded the State rates, the only laggard being the transportation and public utilities group. The SMSA outgrew the State by the highest percents in durable goods manufacturing (+4.0), construction (+3.3), and services (+2.4).

In fourth place was the Bristol area SMSA (Virginia portion) with 4.6 percent employment growth. They deserve recognition for most improvement in an SMSA, with their unemployment rate falling by 4.1 percent from 8.8 to 4.7 percent. Durable goods employment increased by 19.0 percent, or 11.6 percent higher than the State's growth; and construction outpaced the State average by 9.1 percent.

The Lynchburg SMSA was in fifth place, with an overall growth rate equal to Virginia's 4.3 percent. The two industry groups which outperformed the State were State and local government (5.9 percent above average) and nondurable goods manufacturing (+5.3 percent).

The remaining five SMSAs had lower percentage increases in employment than did the State. The Roanoke SMSA was the best of these, with 3.3 percent growth. Two big employment sources there substantially outpaced the State: trade, 3.3 percent above average, and nondurable goods manufacturing, +1.5 percent. Next came the Richmond SMSA, with 2.4 percent total growth. The only industry group which substantially outperformed the State was Federal government employment, which grew by 5.2 percent more than the average Virginia growth. However, Federal employment is only 3.0 percent of the total SMSA employment, so this was not a major stimulus to the area.

The Danville SMSA was in eighth place with a 1.8 percent increase in total nonagricultural employment. The two industry groups which outpaced the State were durable goods manufacturing (by 5.9 percent) and the FIRE group (by 3.5 percent). Next was the Charlottesville SMSA, which had the distinction of lower percent growth than the State in all nine industry groups as well as in overall employment. However, their consolation is that their unemployment rate of 3.7 percent in May, 1983 was the second lowest among the ten SMSAs; and in spite of below-average growth, their unemployment rate fell to 3.3 percent in May, 1984, still the second lowest rate. The Petersburg SMSA was in tenth place,with nonagricultural employment slightly below last year. One industry group, services, did outperform the State, growing by 4.4 percent compared to the State average of 3.5 percent. RLP

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA
Report No. 291 **August, 1984**

Business in Virginia July, 1984 Data

Virginia's business activity in July generally mirrored the national development, with slowing growth in the majority of the indicators we report. The notable exception was in the State's new car registrations, which were 28.6 percent higher in July 1984 than July 1983. The national year-over-year growth in new car sales for July was only 9.5 percent. Therefore, in July as well as June, Virginians' demand for new automobiles grew at a much more rapid pace than nationally. Plus, other evidence suggests that the growth in demand for other types of durable goods also grew significantly more in the Commonwealth than nationally. Our better employment situation, with continuing employment growth and an unemployment rate well below the U.S. rate, probably is the major reason. It not only produces more confidence in the future but also gives our consumers above-average financial capacity to satisfy the pent-up demand which developed in the four years from 1979 through 1982. Every time this year that we have thought the durable goods boom in Virginia finally was showing signs of winding down, consumers have turned around and gone on another buying spree, in spite of higher interest rates and tighter supplies. The durable goods growth will slow to more normal rates in the future, but we have decided to wait for very conclusive evidence before offering any more advice on **when** that will occur.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

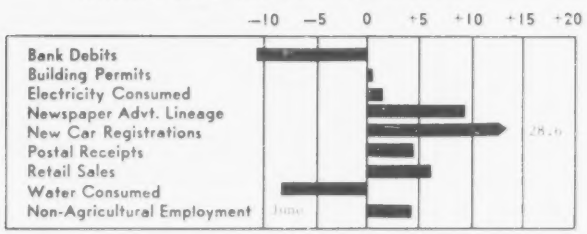
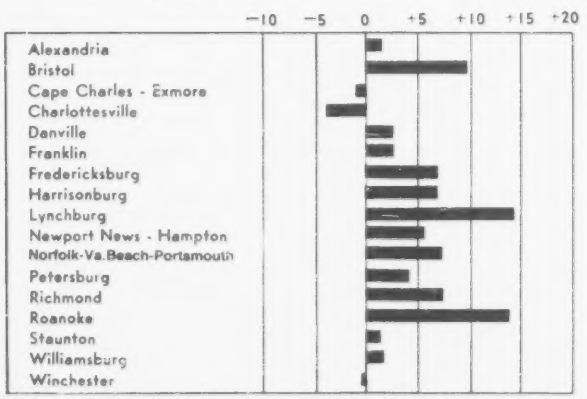


Chart II

City Indices



The most negative indicator for the State was water consumption, down almost everywhere. That result is easy to deal with--everyone will agree the July weather was the cause. So, in discussing the overall **economic** performance of the State and individual urban areas, we will omit consideration of water consumed.

Building permits Statewide did hold even with last July's exceptional performance. However, that resulted from high growth in five areas, offsetting a decline in the other 12 covered. The evidence indicates that the rising mortgage rates definitely are ending the building boom in most parts of the Commonwealth. Aside from construction, and a mild decline in tourism in some parts of the State, the general pattern is economic activity still is either growing or at least remaining steady at a high level. Thus Virginia's business outlook still remains very favorable.

The individual urban areas did reveal quite diverse movements, so some brief comments on each area are appropriate. In the **Alexandria-Northern Virginia area,** building permits grew at a more rapid pace, and employment growth still is well above the State average. However, the pace of growth in both durable and non-durable retail sales seems to have slowed quite dramatically.

The **Bristol, Virginia area,** which we noted in the back-page article last month was improving dramatically, still is growing strongly. Building permit growth remains exceptionally high, the employment growth for June rose compared to May and was the highest among the metropolitan areas we report, plus retail sales growth in July was about

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SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I JULY, 1984

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977 = 100)

CITY	CITY INDEX *	BANK DEBITS *	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	JUNE NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		300.4	181.1	136.7	95.8	126.6	118.1	93.9	149.7	244.6
Alexandria	125.6	259.4	858.3	142.8	N.A.	131.0	123.9	104.6	125.8	N.A.
Bristol	128.2	230.2	92.0	83.0	68.6	104.2	N.A.	96.6	143.2	143.4
Cape Charles - Exmore	119.6	269.1	272.1	123.8	N.A.	97.1	N.A.	N.A.	110.0	166.5
Charlottesville	169.0	349.8	163.9	126.4	N.A.	126.4	N.A.	117.6	193.3	232.6
Danville	133.7	N.A.	150.9	116.5	98.8	96.0	N.A.	85.2	148.4	226.2
Franklin	124.6	N.A.	32.9	116.3	95.1	123.7	N.A.	111.7	115.9	202.2
Fredericksburg	174.1	79.9	128.7	N.A.	131.0	160.4	N.A.	62.9	170.3	353.6
Harrisonburg	138.4	259.4	216.7	N.A.	128.3	91.6	N.A.	124.0	139.0	207.6
Lynchburg	176.4	595.0	101.1	113.7	N.A.	104.9	N.A.	126.1	161.9	404.7
Newport News - Hampton	123.2	207.5	223.1	127.9	72.6	86.8	123.0	118.2	152.4	N.A.
Norfolk - Va. Beach - Portsmouth	148.2	285.9	218.9	157.7	118.9	100.7	140.4	85.5	194.1	N.A.
Petersburg	104.0	108.4	611.6	N.A.	51.5	87.0	N.A.	96.0	104.8	178.9
Richmond	133.8	332.4	N.A.	151.2	106.9	119.3	113.9	107.8	126.1	226.5
Roanoke	137.9	255.0	223.3	102.3	127.5	83.5	109.5	102.3	155.4	249.8
Staunton	117.7	162.0	45.7	N.A.	82.7	95.5	N.A.	N.A.	115.3	182.3
Williamsburg	143.4	174.7	253.8	175.2	N.A.	114.0	N.A.	108.2	116.3	257.3
Winchester	131.1	364.6	49.9	118.8	157.8	126.3	N.A.	121.2	90.1	254.0

TABLE II July, 1984

Percentage Change from same month last year

CITY	CITY INDEX *	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JUNE NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JUNE RETAIL SALES ‡
The State		-10.5	0.5	1.6	9.6	28.6	3.7	-8.5	5.8	26.9
Alexandria	1.4	40.2	64.0	-4.4	N.A.	5.4	5.6	-1.1	1.4	24.7
Bristol	9.7	6.3	170.3	-0.5	-2.6	38.7	5.7	3.0	11.1	32.4
Cape Charles - Exmore	-0.6	66.5	-56.5	0.3	N.A.	39.5	N.A.	N.A.	-14.3	9.5
Charlottesville	-4.2	14.7	-41.1	2.6	N.A.	-2.0	-0.7	-6.1	-7.8	44.0
Danville	2.2	N.A.	-65.1	-5.2	5.3	0.7	1.3	-0.2	5.1	18.5
Franklin	2.2	N.A.	-81.9	-0.6	-2.7	21.0	N.A.	-10.1	2.7	15.5
Fredericksburg	6.6	-13.9	-13.1	N.A.	5.6	43.4	N.A.	-10.4	0.3	36.7
Harrisonburg	6.6	45.3	-13.3	N.A.	14.8	1.8	N.A.	4.7	6.0	27.8
Lynchburg	14.3	37.1	-23.6	5.5	N.A.	3.0	3.9	8.8	26.4	36.3
Newport News - Hampton	5.3	23.4	71.8	5.9	9.9	22.6	4.9	-16.8	5.3	18.0
Norfolk - Va. Beach - Portsmouth	6.9	-25.8	-18.6	5.6	14.5	14.1	5.3	-3.6	6.3	28.0
Petersburg	3.7	33.3	560.0	N.A.	-10.4	53.3	-1.7	-18.2	1.0	30.2
Richmond	7.2	-9.1	-8.4	1.3	14.6	42.9	2.2	-15.2	3.9	35.4
Roanoke	14.0	-3.6	-4.9	18.9	8.7	31.6	2.6	-11.1	20.4	39.8
Staunton	0.8	26.9	-50.4	N.A.	6.0	20.3	N.A.	N.A.	-7.4	12.1
Williamsburg	1.4	82.7	54.8	5.3	N.A.	-2.9	N.A.	0.6	1.7	22.1
Winchester	-0.1	20.7	-24.6	7.6	6.1	13.2	N.A.	0.6	-9.3	47.6

TABLE III

Percentage Change January - July from same period last year

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JAN. - JUNE NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	JAN. - JUNE RETAIL SALES ‡
The State		5.8	23.6	9.2	11.7	20.3	3.7	4.4	7.9	24.8
Alexandria	8.6	32.4	16.4	5.5	N.A.	16.9	5.6	2.8	9.8	27.5
Bristol	17.3	-5.6	141.3	9.8	-1.0	28.1	5.7	21.9	24.7	24.2
Cape Charles - Exmore	0.8	-33.4	-44.2	-3.6	N.A.	35.0	N.A.	N.A.	-9.2	15.8
Charlottesville	1.2	30.0	136.4	9.7	N.A.	13.8	-0.7	-4.4	-3.3	28.5
Danville	7.0	N.A.	107.9	3.9	10.3	21.3	1.3	3.8	5.0	22.3
Franklin	8.9	N.A.	-30.2	8.0	4.6	33.1	N.A.	-5.1	7.3	22.6
Fredericksburg	13.5	7.3	-7.7	N.A.	8.2	37.9	N.A.	3.2	10.6	48.2
Harrisonburg	10.4	33.6	84.3	N.A.	11.8	11.0	N.A.	6.4	11.0	33.6
Lynchburg	11.7	-18.6	-14.8	7.7	N.A.	19.0	3.9	11.3	13.3	27.0
Newport News - Hampton	6.6	11.6	47.4	9.7	13.1	21.2	4.9	0.4	1.2	18.5
Norfolk - Va. Beach - Portsmouth	10.5	9.5	16.7	10.5	13.7	18.6	5.3	8.9	9.1	25.4
Petersburg	1.8	-11.5	324.2	N.A.	-6.3	19.6	-1.7	-6.7	2.5	17.6
Richmond	10.2	4.4	13.8	14.8	15.1	27.5	2.2	2.8	6.3	24.6
Roanoke	12.2	9.9	9.6	12.3	12.6	21.6	2.6	3.8	15.0	26.7
Staunton	4.7	27.1	-53.9	N.A.	3.2	26.1	N.A.	N.A.	-2.0	13.2
Williamsburg	6.9	19.4	71.5	8.6	N.A.	17.7	N.A.	9.0	2.1	15.2
Winchester	9.7	14.7	21.4	12.3	13.7	19.3	N.A.	11.8	3.7	37.1

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lag behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.

the same as in June. Some strong upward momentum still exists in that area.

Cape Charles-Exmore, reflecting the Eastern Shore, levelled off in July, except for new car sales. **Charlottesville's** general economic activity was about on par with or somewhat below last July. However, the final report on June taxable sales indicates **some** types of retail businesses must be doing exceptionally well. Both **Danville** and **Franklin** seem to have hit a plateau in July, with building permits down and no upward momentum in evidence.

In **Fredericksburg,** the growth rates slowed down across the board, moving more in line with average State growth rates, with the notable exception of new car registrations, an activity in which they have had a stellar performance all year. **Harrisonburg,** on the other hand, remained generally at the same level of activity as last year, with some growth in retail sales but a lower rate of increase than in June. **Lynchburg** had higher employment growth than the Commonwealth in June, and the July electricity growth at considerably better than the State average implies manufacturing activity continues to increase. Their most impressive gain in July, however, was the high growth in retail sales, principally nondurables and services — their 26.4 percent increase was the highest in the State.

Both portions of the **Norfolk-Virginia Beach-Newport News** Metropolitan Statistical Area continued to show overall steady growth. The Norfolk side had the better performance for our two lagged variables, the June employment and taxable sales growth rates. However, the Newport News side faired somewhat better in the July figures, with continued high growth in building permits and the better growth rate in new car registrations.

In July, Petersburg generally continued the upward momentum which began in June. Building permits were up 560.0 percent, total spending as evidenced by bank debits soared, and new car registration growth was 53.3 percent, the highest in Virginia. The retail sales sample was a soft spot with only 1.0 percent growth in July, but the broader taxable sales measure for June showed a 30.2 percent increase compared to 21.2 percent in May. When the taxable sales figures for July are available, they should reveal overall retail trade grew by substantially more than our July sample indicates. Up the road, **Richmond's** results were less impressive. Retail trade in durable goods did grow strongly, and nondurable sales growth evidently is growing more rapidly also, but in general Richmond's growth still remains somewhat below the average for the State.

Roanoke is continuing to grow strongly in retail trades, both in durable and nondurable goods, with growth rates well above those for Virginia — its growth ranked second in the State for both our retail sales measures. Also, the very high growth in electricity consumed implies manufacturing activity is increasing more rapidly. **Staunton,** on the other hand, still is revealing a rather flat economic situation, below the State average and about equal to or only slightly better than last year in most categories.

In **Williamsburg,** building permits accelerated in July and total spending as indicated by bank debits soared. But, retail trade growth in general was well below the State averages, and our expectations, because tourism declined slightly in July compared to last year. For **Winchester,** the July figures as well as a comparison to last month's results generally show a slowdown in economic activity. The only outstanding growth rate was the reported 47.6 pecent increase in **June's** taxable sales, the month prior to the current slowdown. Hopefully they will regain the momentum they enjoyed earlier in the year.

In sum, the general Virginia performance in July showed the steady or slower growth expected, except for the surge in new car registrations, and our growth was on par with or better than that of the nation. However, the growth rates varied widely from locality to locality, with some areas achieving outstanding growth while some others were just maintaining last July's level of business activity. Not as balanced from area to area as we would like, and as we hope it will become as the nation's recovery becomes more mature.

RLP

The Deficit — A Guide to the Rhetoric

THE DEFICIT — that expression has been front-page news so frequently in the last three years that reporters no longer even define it. They assume everyone knows by now it refers to current Federal budget revenues minus Federal government expenditures. In fact, there are at least three widely used measures of the deficit, so even the historical amounts for prior years are reported differently, depending on which measure the author uses. However, by **any** measure the recent and projected Federal deficits are **huge,** so the definitional issue is quite minor. Our focus this month is to offer some guidelines for intepreting all the rhetoric we are being inundated with this year.

Effects of Deficits. Deficits are like drugs. They can be a boon to society, curing ills and making it healthier; or, they can be harmful, sapping society's strength and creating painful side effects which may last for years. The key is whether the deficits are cyclical or structural.

Cyclical Deficits. A cyclical deficit is one "that occurs because the unemployment rate exceeds the inflation threshold level of unemployment, i.e., the minimum level of employment (6-6.5 percent) that can be sustained without raising the rate of inflation "(**Economic Report of the President, 1984,** p. 35). Such deficits occur largely automatically in a recession and the initial stage of a recovery, when low output and income reduce Federal tax revenues and increase Federal outlays for cyclically sensitive programs such as unemployment benefits and welfare programs. Such cyclical deficits are helpful to society for several reasons. First, they provide help to people severely hurting during the recession and recovery. Secondly, they create demand for goods and services at a time when we have substantial idle capacity, in people and machines, stimulating growth in output that otherwise would not be produced. Equally important, the cyclical deficits usually do not conflict with monetary policy. A monetary policy of "normal" rates of money growth when the economy is operating at below-normal levels generally means sufficient credit will be available to finance the growth of private demand **and** the cyclical deficit without putting strong upward pressure on interest rates.

Example of a Primarily Cyclical Deficit. In fiscal year 1983 the Federal deficit was $195.4 billion, far above any previous deficit. In that recovery year, the total dollar value of our Gross National Product (GNP) grew by 10.4 percent from the fourth quarter of 1982 through the fourth quarter of 1983. That growth rate consisted of a real increase of 6.3 percent, with an inflation rate of only 3.8 percent (down from 4.4 percent in the preceding four quarters and 8.6 percent from 1980:4 through 1981:4). During the same period, real private domestic investment, our major source of new productive capacity for the future, grew by 14.2 percent.

Even with the high demand growth, interest rates for businesses remained stable. Plus the Federal Reserve System was in an environment where it could allow the money supply to grow at a 9.8 percent rate, sufficient to meet the credit demands of consumers, businesses, and government, without igniting the inflationary fuse. The nation benefited strongly from that deficit: high real growth with lower inflation and stable interest rates, lowered Federal taxes yet continued high Federal spending to meet national priorities and social needs. That high deficit also was cited by a large number of forecasters as a primary reason for the abnormally high real growth in the first and second quarters of 1984.

Structural Deficits. "A structural deficit is the amount . . . that would remain even if the unemployment rate were at the inflation threshold level . . . . [estimated by the President's advisors to be] 6.5 percent" (ibid., p. 36). So, this deficit amount still would exist even if the economy were operating at a very high level of employment and capacity utilization. In that environment, the structural deficit generally would have a very unhealthy effect on the U.S. economy. First, government-induced demand would be in direct competition with private demand for the limited real output, driving up the inflation rate. That brings fiscal policy into direct conflict with monetary policy, which would have to be tighter to prevent an accelerating inflationary spiral. Secondly, the need to finance those deficits by borrowing forces the Federal government to outbid private businesses for savings which otherwise would be available to finance private investment in plant and equipment as well as housing. Our private sector productive capacity would grow at a slower rate, reducing the potential long-run growth rate for the nation. The inflation rate and interest rates would be higher, so long as we remained at a high employment level of output. However, these effects of the structural deficit would destabilize the economy and make a recession likely, so the high employment output could not be maintained: the all too familiar and painful "boom and bust" pattern would become a regular phenomenon. It is the prospect of high **future** structural deficits and their consequences, **not** the recent cyclical deficits, which is worrying private economists, the financial markets, and the Federal Reserve System.

Future Structural Deficits. The August 6, 1984 **Economic and Budget Outlook** prepared by the Congressional Budget Office estimated what the structural deficits would be in each of the next five fiscal years, **if** the economy were at 6 percent unemployment. Their estimates include the effects of the recently passed "down payment" on deficit reduction. The estimated structural deficits and their percent of **high-employment** Gross National Product are: Fiscal year 1985 (FY85), $146 billion, 3.6 percent of GNP; FY86, $167 billion, 3.9 percent of GNP; FY87, $195 billion, 4.2 percent of GNP; FY88, $221 billion, 4.4 percent of GNP; and FY89, $246 billion, 4.6 percent of GNP. Thus they expect the structural deficits to increase steadily, not only in dollar amounts but as a percent of the high-employment GNP. President Reagan's August 16 outlook, which assumes higher GNP growth rates in the future than does the CBO outlook, essentially projects an FY88 structural deficit of $159.7 billion and for FY89, $139.3 billion. The President's report does show lower projected deficits; but, it also specifically illustrates and states that growth alone cannot solve this deficit problem. Again, it should be emphasized that both of these sets of estimates are structural deficits, so achieving full employment would **not** reduce them.

Some Aspects of Deficit Remedies. There is no painless method for eliminating the structural deficits, although some methods defer much of the pain until future years. There are basically four options:

1) Pay more taxes, now or later (the longer you wait, the more you would have to pay).
2) Cut Federal expenditure growth, now or later.
3) A combination of more taxes and less expenditure growth.
4) Adopt a **different** tax structure which discourages consumption and encourages saving. With a sufficiently high savings rate, in the near term the nation could finance **both** higher investment to allow high real growth **and** the structural deficits (as Japan, for example, has done for a decade). The higher real growth would have two benefits in the future: the structural deficits would be lower because of more rapidly growing tax revenues; plus, the additional tax revenues required to eliminate these deficits **completely** would be a smaller percent of the higher individual incomes being received.

All of these options mean **consumption** must be lower at some time in the next four years for at least some, if not most, of the U.S. population than it otherwise would have been. With higher tax rates, you will cut consumption. With lower Federal expenditure growth, recipients of Federal payments will have less funds available than presently planned (**not** necessarily lower than presently **received**), forcing their consumption to be less than it would have been. Of course, a combination of these two approaches also lowers consumption, but with different effects on individuals. The fourth option, a **change** in the tax structure towards a consumption-related tax, would encourage a majority of the public to make small reductions in consumption, thus spreading the burden of deficit reduction more broadly across the population. Many see that as the most equitable and least painful approach. That is the reason there is extensive discussion in the press and in Congress about various types of consumption-based taxes. We will discuss some of these various tax proposals in coming months. However, the key point is that **any** fiscal policy proposal which promises to eliminate structural deficits in the future and at least **maintain** our nation's real growth at its historical average of slightly over 3 percent **cannot** by definition succeed unless as a nation we consume a smaller percent of our national income. The question is **who** is being asked (or forced) to consume less, by how much, and when. With those answers, each person must then decide whether the policy being advocated is a just and effective way to move towards our goals as set forth in the Full Employment and Balanced Growth Act of 1978 (popularly known as the Humphrey-Hawkins Bill) of "full employment . . . increased real income, balanced growth, a balanced Federal budget, . . . and reasonable price stability."

RLP

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 292 **September, 1984**

Business in Virginia August, 1984 Data

Virginia's economic indicators in August showed generally that we are continuing to grow at a slower pace than earlier in the year, the same as the nation. However, the pattern of the changes in Virginia's indicators was quite different from the nation's in August.

Retail trade in Virginia advanced strongly compared to last August, up 14.9 percent based on our sample data. Nationally, retail sales declined last month, leaving them only 8.1 percent above last year. Therefore our growth was 6.8 percent better than the national year-to-year change. The same relative strength also is shown in new car registrations. In Virginia they were up 20.5 percent last month, somewhat below July's 28.6 percent year-over-year growth. However, nationwide new car sales in August slowed to only 12.4 percent above the same month last year. This comparison shows our growth over last August in new car registrations exceeded the nation's growth by 8.1 percent. Therefore our retail trade in both durable and nondurable goods is growing at a substantially better pace than at the national level.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change August, 1984 from August, 1983

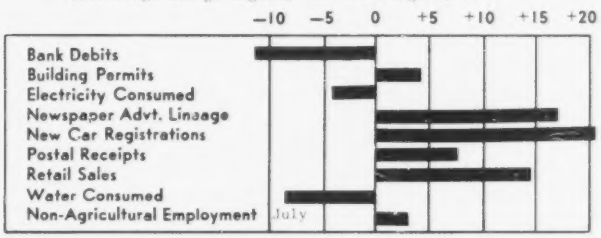
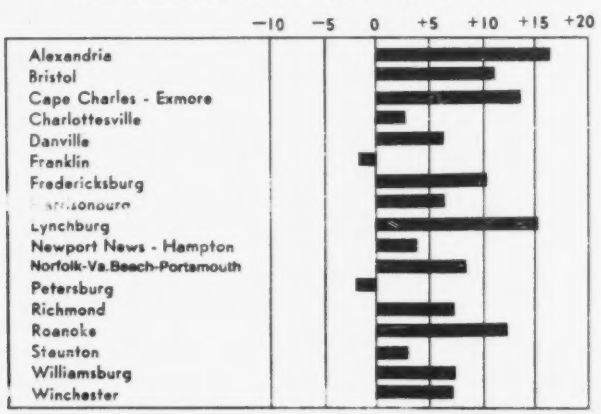


Chart II

City Indices

Percentage Change August, 1984 from August, 1983



Another major sector where the Commonwealth fared better than the nation is in building permits, a promising signal for the construction industry in the next few months. Statewide, building permits were up 4.0 percent over last August, which itself was almost 100 percent above August 1982. Most importantly, building permits grew substantially in eleven of the seventeen urban areas we cover, so the forthcoming construction activity is distributed rather broadly throughout the State. That is in sharp contrast to the July reports, which showed increases in only five urban areas. Building permits growth *is* well below the pace for January through July, but still remains positive and managed to improve relative to July 1984.

Wholesale and retail trade accounted for 43 percent of the State's nonagricultural employment in July; and construction, for another 6 percent. Therefore 49 percent, almost one-half of the employment, was in these two sectors. Virginia's continuing strength in these two sectors makes additional year-over-year employment gains in trade, services and construction quite likely.

The questionable area of the Commonwealth's performance in August is industrial production. Our indicators do not directly measure such production. However, electricity and water consumed both partially reflect industrial activity. Electricity consumed was down 4.2 percent across the thirteen areas for which we have data, and for twelve of the thirteen electricity consumption either was lower than last August or grew by less than in July. Water consumption declined 8.6 percent compared to last August, also with either declines or lower growth in all but one of the areas reporting. The worse performance in August in these two indicators may be entirely due to the fact that the comparison is to the very hot, dry August of 1983. However, this performance also may be an indication that the Commonwealth's industrial production is growing at a much slower pace, matching the national slowdown. We will have to wait for the Virginia Employment Commission's employment figures for manufacturing in the next two months before we will know for certain.

Employment in Virginia *did* increase 3.2 percent in July compared to July 1983, and we expect further year-over-year increases this fall. However, the August indicators

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SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I AUGUST, 1984

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX *	BANK DEBITS *	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JULY NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		295.1	176.2	138.2	107.4	281.2	119.8	94.5	141.0	256.9
Alexandria	159.0	227.9	294.7	143.9	N.A.	144.7	136.2	101.1	188.1	N.A.
Bristol	134.4	266.5	57.5	85.9	75.9	109.0	N.A.	98.2	145.1	270.8
Cape Charles - Exmore	111.1	103.9	595.2	127.9	N.A.	102.4	N.A.	N.A.	115.6	200.4
Charlottesville	168.0	344.9	242.4	124.4	N.A.	128.3	N.A.	119.3	183.9	252.3
Danville	136.2	N.A.	242.1	119.9	134.0	96.9	N.A.	86.3	145.8	215.1
Franklin	133.1	N.A.	22.2	118.7	106.9	127.9	N.A.	101.8	134.9	204.9
Fredericksburg	198.0	600.5	308.6	N.A.	144.4	178.1	N.A.	65.1	215.8	351.0
Harrisonburg	145.6	190.5	488.6	N.A.	125.8	111.8	N.A.	121.4	147.3	218.5
Lynchburg	190.3	350.1	202.2	116.2	N.A.	112.2	N.A.	119.4	151.0	531.4
Newport News - Hampton	126.9	206.3	212.9	123.9	90.3	112.7	127.6	119.2	147.3	N.A.
Norfolk - Va. Beach - Portsmouth	143.8	300.8	247.1	160.0	100.0	120.0	124.0	86.0	180.2	N.A.
Petersburg	106.2	111.7	104.8	N.A.	62.0	89.8	N.A.	95.1	99.3	198.8
Richmond	134.6	294.5	157.1	155.7	117.2	121.6	113.4	110.7	115.6	224.7
Roanoke	145.0	392.4	82.5	102.7	159.2	98.9	112.4	101.8	147.0	256.3
Staunton	118.8	115.5	673.0	N.A.	77.8	87.3	N.A.	N.A.	116.5	197.9
Williamsburg	151.5	171.0	147.3	168.4	N.A.	146.6	N.A.	115.1	126.2	251.6
Winchester	149.6	240.5	85.4	121.3	192.1	127.2	N.A.	124.0	129.3	244.3

TABLE II August, 1984

Percentage Change from same month last year

CITY	CITY INDEX *	BANK DEBITS *	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JULY NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JULY RETAIL SALES ‡
The State		-11.2	4.0	-4.2	17.0	20.5	3.2	-8.6	14.9	10.8
Alexandria	16.1	4.7	-50.4	-8.9	N.A.	15.6	5.3	-4.8	31.6	18.8
Bristol	10.8	-1.5	-73.0	-2.6	5.0	9.0	8.2	1.9	20.8	5.5
Cape Charles - Exmore	13.5	59.4	124.7	-4.4	N.A.	18.9	N.A.	N.A.	17.7	16.4
Charlottesville	2.8	15.0	5.3	0.4	N.A.	-3.2	-0.7	-1.3	6.9	14.6
Danville	6.2	N.A.	6.9	2.2	33.0	-3.8	1.0	-2.1	4.6	2.6
Franklin	-1.7	N.A.	-15.1	-6.3	4.5	5.4	N.A.	-22.6	2.3	5.8
Fredericksburg	10.3	34.8	19.0	N.A.	14.8	13.7	N.A.	-14.5	16.0	25.1
Harrisonburg	6.3	555.1	11.8	N.A.	11.1	30.0	N.A.	-10.1	2.3	14.2
Lynchburg	15.1	-17.9	-6.8	-2.7	N.A.	9.4	2.9	-5.7	29.8	7.2
Newport News - Hampton	3.4	-2.7	-5.0	-7.2	23.2	22.2	4.5	-17.7	1.0	5.3
Norfolk - Va. Beach - Portsmouth	8.0	-32.1	12.2	-0.4	18.7	14.9	4.9	-1.7	8.2	8.0
Petersburg	-1.7	24.2	135.2	N.A.	-14.4	-3.0	-2.7	-15.6	7.7	4.8
Richmond	7.1	-5.5	203.6	0.9	13.8	23.0	1.9	-13.1	8.3	-0.3
Roanoke	12.3	-12.0	16.3	-11.8	21.9	14.8	4.0	-10.1	23.8	6.6
Staunton	2.6	76.3	628.9	N.A.	2.0	1.2	N.A.	N.A.	3.2	0.4
Williamsburg	7.1	67.4	45.7	0.3	N.A.	19.3	N.A.	5.9	5.7	15.2
Winchester	7.1	11.2	-47.5	5.3	14.8	9.1	N.A.	-2.9	7.9	33.4

TABLE III

Percentage Change January - August from same period last year

CITY	CITY INDEX *	BANK DEBITS *	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JAN.-JULY NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JAN.-JULY RETAIL SALES‡
The State		3.4	18.1	7.2	12.7	25.4	4.3	2.4	8.9	22.4
Alexandria	9.9	28.5	4.9	3.3	N.A.	16.7	5.2	1.7	12.5	26.1
Bristol	17.8	-5.1	47.3	8.4	-0.2	25.2	3.7	18.6	24.2	20.8
Cape Charles - Exmore	2.6	50.9	-30.5	-3.7	N.A.	32.5	N.A.	N.A.	-5.3	15.9
Charlottesville	2.4	27.8	-95.5	8.5	N.A.	11.4	1.8	-3.9	-0.5	26.4
Danville	7.5	N.A.	89.2	3.7	13.4	17.6	1.7	3.0	5.0	19.0
Franklin	7.3	N.A.	-29.3	5.9	4.6	28.4	N.A.	-7.8	6.6	19.7
Fredericksburg	13.0	14.5	-2.8	N.A.	9.0	34.1	N.A.	0.4	11.4	43.9
Harrisonburg	9.8	45.1	63.8	N.A.	11.7	13.5	N.A.	4.0	9.9	30.3
Lynchburg	13.1	-18.5	-13.6	6.3	N.A.	17.7	3.8	8.8	15.3	23.8
Newport News - Hampton	6.2	9.5	37.7	7.1	14.5	21.3	5.0	-2.5	1.1	16.3
Norfolk - Va. Beach - Portsmouth	10.8	1.0	16.1	8.8	14.4	18.1	5.0	7.3	9.0	22.3
Petersburg	1.6	-8.2	302.4	N.A.	-7.4	15.9	-1.6	-8.0	3.1	15.5
Richmond	10.6	3.1	23.5	12.7	14.9	26.9	2.6	0.2	6.5	20.3
Roanoke	13.3	6.7	10.1	8.6	13.9	20.6	3.3	1.9	16.0	23.1
Staunton	4.3	31.2	10.5	N.A.	3.1	22.7	N.A.	N.A.	-1.4	11.2
Williamsburg	7.0	23.8	-96.0	7.3	N.A.	17.9	N.A.	8.5	2.7	15.2
Winchester	10.1	14.2	1.7	11.4	18.8	17.9	N.A.	9.7	4.3	36.5

* Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.

Virginia Employment Commission data which lag behind current reports.

† Preliminary data based on a survey sample.

‡ Revised data based on sales tax information which lags behind current reports.

point to the gains continuing to be heavily concentrated in the trade sectors rather than manufacturing.

Turning to the individual urban areas, a general observation is appropriate. The relative positions of the areas, particularly if you rank them in order by the percentage change in the City Index, are fluctuating quite a bit from month to month. That is a favorable sign in most cases, especially since all but two of the City Indexes increased in August, because it indicates growth is not continually being concentrated in a few geographic areas. Instead, growth is becoming more broadly diffused across the State, as first one area, then another, is among the top growth areas. For example, for Cape Charles-Exmore to move from sixteenth place to third, and for Harrisonburg to temporarily slip from fourth (in June) to eleventh, indicates we are getting more balance in growth across the Commonwealth. The increase in August for Harrisonburg still was a very respectable 6.3 percent, only slightly below its 6.6 percent increase in July. However, growth rebounded on the Eastern Shore, from a decrease of .6 percent in July to a 13.5 percent increase in August, the third highest gain in the State. A continuation of that type of fluctuation in relative performance will bring the urban areas *closer* together in growth for the year as a whole.

Since the August patterns are quite mixed for individual areas, we will focus on the year to date figures in Table III. *For all seventeen areas,* the January-August City Indexes show growth compared to the same period last year. The upswing so far this year has been strongest in Bristol, Roanoke, Lynchburg, Fredericksburg, and the Norfolk-Virginia Beach-Portsmouth area, as indicated by the City Index growth. However, the Alexandria (Northern Virginia), Harrisonburg, Newport News-Hampton, Williamsburg, and Winchester areas show good prospects for finishing the year with about the same overall growth as the current leaders. If in fact ten (or more) of the seventeen areas we cover do end the year with growth rates very close to each other, and for all seventeen there is at least some growth, that will be good news not only for the individual areas but also for the State as a whole. Growth that widely distributed throughout the Commonwealth will carry us into 1985 with a solid base for balanced growth in the coming year.

RLP

Comments on the Recovery

All of our readers have been deluged with general descriptions of the current recovery, so another overview would be redundant. Instead, we decided to provide a few comments to supplement the general perspective provided by other sources. The topics cover aspects of the recovery, and ways to interpret it, which we felt might be interesting to you.

Recovery and Expansion

As background, we will review the cycle dates, as officially determined by the National Bureau of Economic Research. The last peak in economic activity was reached in July 1981 (or third quarter 1981, which we will identify as 1981:3), followed by a 16 month recession whose trough was in November, 1982 (or 1982:4). The recovery and expansion since then will be seven quarters old as of October 1, 1984.

The words recovery and expansion are used interchangeably in describing an upturn, but they can have different meanings and be interpreted very differently. So, we will offer one interpretation of the difference. Economists start giving glowing reports about the economy's growth and performance as soon as a recovery begins, yet at the same time there are numerous news stories showing many households and industries still are in bad shape. *Both* types of stories are accurate, because a recovery begins after we have reached *bottom* — the lowest point of the previous recession. So, the initial upward movement truly is a recovery — we are trying to regain our economic health. There are several different measures one could use to define the nation's recovery, just as there are many for assessing when a sick patient is well again. At a minimum, however, it is reasonable to assume recovery means the nation is as well off on a per capita basis as it was at the previous peak. On that basis, real (inflation-adjusted) disposable personal income per capita in 1983:2 passed the level at the previous peak in 1981:3. Therefore real purchasing power per person began to expand to new heights very quickly after the recession ended. It is more than just coincidence that the Consumer Sentiment Index (prepared by the Survey Research Center, University of Michigan), which reflects consumer confidence, rose from 72.2 to 91.5 in the second quarter of 1983, reaching the highest level since late 1972.

Another appropriate recovery measure is the real GNP per capita: the inflation-adjusted level of the nation's output per person. Total real output also is the nation's total real income of all types, so real GNP per capita offers a comprehensive measure of economic recovery. This measure passed the 1981:3 peak in 1983:4. Thus it took four quarters of recovery before total real output per person reached a new record level. By this approach, the year 1983 truly was one of recovery, during which we climbed back to the previous peak. The year 1984 has been the period of true expansion, to new record highs in real output, as well as income, per person.

Distinguishing between recovery and expansion helps to explain some of the concerns this year. So long as we are in the recovery phase, we know the production capacity exists to meet rapid growth of demand — we are merely getting back to where we have been before. High growth is applauded, because we want to regain the use of our idle resources as quickly as possible. However, once we move into the expansion phase, when demand and output are reaching new heights, rapid growth becomes worrisome. Can output and the capacity to produce it keep up with the growth in demand? If so, great. But if not, then the demand growth causes overheating: prices start rising more rapidly as we try to outbid each other for limited supplies, planting the seeds for another inflationary spiral, and bottlenecks are created by too little capacity in some industries, throwing the expansion out of balance. That is why during the recovery phase everyone cheered the annual rates of real GNP growth of 9.4 percent in 1983:2 and 6.8 percent in 1983:3; but, six months later when we had moved into the expansion phase, they were expressing concern, if not alarm, about possible overheating when the real GNP growth was an annual rate of 10.1 percent in 1984:1 and 7.1 percent in 1984:2. And, the "flash" estimate of September 20 that the 1984:3 growth rate will slow down to 3.6 percent was greeted with cheers here and abroad. We had experienced two quarters of very high real growth without overheating, and real growth finally slowed to a sustainable pace which capacity growth can match. Our average annual real growth rate from 1952-1972 was 3.5 percent. That is history, so both the past and present conditions indicate we can continue to expand at least at this rate

without overheating. Plus, the labor force is growing less rapidly now than in the past, meaning growth in the 3.5 percent range or slightly better will produce continuing declines in unemployment. For the year 1984, the expected result is real growth of 7.2 percent over 1983, the best year-over-year real growth the nation has had since 1951. Thus, we are in a year of unusually rapid expansion, which is expected to end with real growth at a lower, sustainable rate.

During the first six quarters of the recovery and expansion, inflation as measured by the GNP Implicit Price Deflator has been at an average annual rate of 3.8 percent; and it, too, has declined recently. During 1984:2, the average annual rate was 3.3 percent, and the "flash" estimate is a 2.9 percent rate for 1984:3. Another very encouraging sign is illustrated by the Index of Unit Labor Cost, Private Business Sector, which shows how the labor cost per unit of output is changing. From 1982:4 through 1984:2, this Index only rose by .6 percent during the six quarters. Therefore a combination of productivity gains and lower wage growth has held the labor cost of production almost constant, and that represents about 73 percent of the cost of producing the nation's output. That performance shows little or no "cost-push" pressure on price levels from labor costs, another reason for the optimism that our inflation rate will remain low in the near future. Thus we seem to be headed into 1985 with a moderate growth and inflation environment which offers the opportunity for a long period of healthy expansion. The private sector of the economy is performing excellently, better than nearly everyone's expectations. Now it is up to the Federal government to adopt a sensible plan for getting its finances in order, a plan which will allow the expansion to continue.

Foreign Trade

The strength of the expansion as well as the strength of the dollar have led to an unusually large increase in imports, and held our exports below what they otherwise might have been. The growth in imports has slowed the recovery of some U.S. industries, no question. That has generated some vocal demands for protectionist trade policies. However, there is another side to the issue which hasn't received much publicity. The ability to import freely, and the circumstances of declining dollar prices for those imports, served as a major safety value in enabling the nation to avoid overheating.

Full data is available for the period from 1982:4 through 1984:2, so we will use the first six quarters since the trough for illustration. The real volume of imports grew by 38.4 percent over those six quarters. For comparison, the typical increase in the quantity of imports during the first six quarters of recovery and expansion is about 15 percent. So, the import growth for the period was approximately 23 percent above normal. Suppose import growth had been only the typical 15 percent, and the rest of the demand for foreign goods had been required to be met by U.S. production? Then, total growth in real GNP since the recession would have been at least 12.6 percent in the first six quarters, instead of 10.8 percent, if we could have met the extra demand. Plus, the annual growth rate in output would have been about 11.5 percent in the first quarter of 1984, instead of 10.1 percent. Those calculations *only* show the direct change in growth created by producing the extra imported goods here. If we *had* produced them in the United States, that would have generated more domestic income and people receiving that extra income would have wanted to spend most of it, creating a multiplier effect. The *full* impact of having met that extra demand here during the last six quarters would more likely have required real growth of about 15 percent, and the growth rate in the first quarter of 1984 would have to have been running over 12 percent at an annual rate. Growth rates of that magnitude almost certainly would have produced overheating, and forced the Federal Reserve System to have adopted a very tight monetary policy in late 1983.

In sum, U.S. production grew very rapidly in 1983 and the first half of 1984. However, the public's demand for goods and services grew even *more* rapidly than output. Without the safety valve of being able to meet some of that demand through above-average growth in imports, it is very likely we would have been faced with a boom we couldn't handle, causing overheating and rising inflation. Under that scenario, we probably would be facing another drastic slowdown or recession by now, rather than favorable expansion conditions.

The strong dollar also has had an important side effect. The dollar prices we are paying for our imports are considerably less than we had to pay in 1982:4, contributing to the lower inflation rate we are experiencing. On the export side, the strong dollar means our goods cost more abroad, so exports have not grown as much as they might. But, since 1982:4 the quantity of our exports has grown by 7.5 percent, slightly above the post-World War II average of 6.8 percent during the first six quarters following a recession. If we had adopted protectionist measures to reduce imports, other countries very likely would have taken similar steps, and our exports would have fared much worse.

There are problems in providing fair treatment for our industries which are affected by world trade, and we have some laws for dealing with those problems, such as preventing unfair dumping of government-subsidized foreign products in U.S. markets. Closing the door on imports is not the answer to the remaining problems. We need access to the world markets, both to grow by exporting and to meet part of the growing U.S. demand by importing. A more logical approach, for the government and industry, is the one illustrated by the automobile contract tentatively agreed to by General Motors and the United Auto Workers, where workers displaced by GM importation of components will be provided with money and retraining for other types of productive jobs.

RLP

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA
Report No. 293 **October, 1984**

Business in Virginia September, 1984 Data

With the fall season the economic currents are switching from month to month as the State and nation are adjusting to a lower rate of growth. The cumulative year-to-date changes give a clearer view of where we stand, so those changes are discussed at some length in this month's second article, and two additional tables are provided for comparisons with prior years. The front page will be devoted solely to some comments on the most recent monthly changes.

In August and September, Virginia still maintained a very reassuring rate of growth. That is demonstrated most clearly by the August employment growth of 4.2 percent from August 1983, a growth rate about equal to the year-to-date growth of 4.3 percent. A very healthy sign pointing to continued retail trade growth for the remainder of 1984.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

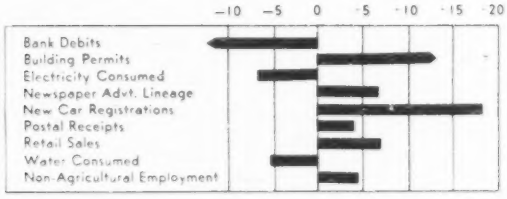
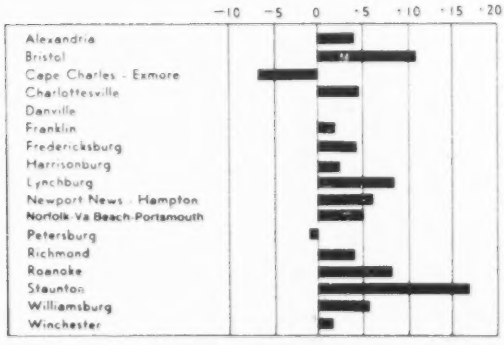


Chart II

City Indices



New car registrations in September continued to grow Statewide at a strong pace, 17.7 percent over a year ago, and only slightly below the 20.5 percent rate in August. However, the growth rates in the individual urban areas have become more uneven in recent months, suggesting the overall growth will be somewhat lower in the coming months. Still a high level, but not as much growth.

Consumers in general appear to be shifting more of their spending to nondurable goods, such as apparel, and services, with a lower percent of their income being spent on durable goods. This produces different signals from our two retail sales indicators for Virginia. Our retail sales sample primarily reflects sales of nondurable goods and services in the prior month. In August that indicator was very strong, with growth well above the national rate, and in September the 7.2 percent increase still matched the national growth for those types of sales. However the State taxable retail sales, which include durable goods (other than automobiles), building materials and equipment, grew at a considerably lower rate in August, providing some evidence of the shifting consumer spending patterns. Non-Virginians may add some additional stimulus this fall to both of our retail sales indicators, if the recent experience in Williamsburg is a general indicator. After a flat performance in June and July, the number of visitors to Williamsburg surged strongly in August and September compared to last year, providing tentative evidence that tourism is beginning to grow again as the durable goods boom slows down.

The most surprising change in September was the growth of 21.8 percent in building permits, compared to only a 4.0 percent year-over-year change in August. The building permits series always has been erratic in its month to month changes, so this one-month surge should be viewed with caution in assessing the future. However, building permit growth was very strong in nine of the seventeen urban areas, while declining in eight areas. This pattern suggests some very substantial new nonresidential construction is planned in many urban areas, but residential construction is declining under the weight of higher interest rates and slower income growth.

Turning to the individual areas, a "western curl" traced by Staunton, Lynchburg, Roanoke, and Bristol had strong advances in September. However, if building permit activity is considered along with the other indicators, then an "eastern curve" of strong September growth also is evident, along a line through Alexandria, Fredericksburg, Williamsburg, and Newport News. Those eight areas

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SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I September, 1984

Monthly Index Numbers (Adjusted for Seasonal Variation)
Some Monthly Base Period 1977 = 100 Base Period 1967 = 100

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	NON-AGRICULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		273.9	230.1	129.6	98.4	216.6	116.7	91.1	161.8	258.2
Alexandria	176.8	200.4	334.6	132.1	N.A.	107.2	134.0	96.5	241.6	N.A.
Bristol	133.7	250.6	402.4	87.4	73.1	96.3	N.A.	106.3	150.2	254.0
Cape Charles - Exmore	130.5	52.6	1829.8	126.2	N.A.	82.1	N.A.	N.A.	138.8	158.5
Charlottesville	206.3	320.0	36.9	122.1	N.A.	120.1	N.A.	120.7	264.7	286.9
Danville	142.2	N.A.	123.9	110.2	112.3	74.1	N.A.	81.1	186.1	201.3
Franklin	129.6	N.A.	211.2	99.2	111.9	108.2	N.A.	98.0	135.5	213.2
Fredericksburg	133.5	361.6	242.9	N.A.	139.0	138.7	N.A.	65.0	229.3	324.2
Harrisonburg	178.8	43.4	772.0	N.A.	214.0	73.1	N.A.	133.9	234.7	226.4
Lynchburg	202.6	312.5	87.2	113.7	N.A.	83.3	N.A.	112.8	196.4	517.2
Newport News - Hampton	129.8	177.2	446.4	120.1	82.1	89.7	129.7	123.2	164.6	N.A.
Norfolk - Va. Beach - Portsmouth	156.2	276.9	160.2	146.7	87.4	93.9	122.4	77.4	228.7	N.A.
Petersburg	114.4	111.5	94.2	N.A.	63.6	59.5	N.A.	96.1	139.3	163.9
Richmond	132.6	280.0	87.4	146.4	113.9	97.8	115.6	108.8	175.8	226.8
Roanoke	165.2	367.9	32.7	99.2	143.9	70.3	111.2	94.2	217.6	261.3
Staunton	140.8	109.5	67.9	N.A.	74.3	88.2	N.A.	N.A.	163.2	187.4
Williamsburg	163.6	130.1	147.7	160.3	N.A.	105.1	N.A.	106.4	160.7	291.5
Winchester	151.7	218.1	48.3	122.7	171.8	104.7	N.A.	127.5	145.7	250.0

TABLE II September, 1984 Percentage Change from same month last year

CITY	CITY INDEX *	BANK DEBITS *	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	AUGUST NON-AGRICULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	AUG. RETAIL SALES ‡
The State		-11.7	21.8	-7.1	7.1	17.7	4.2	-5.2	7.2	6.7
Alexandria	4.0	5.3	206.5	-12.3	N.A.	-2.2	6.9	1.5	12.3	17.8
Bristol	10.7	8.2	245.2	-1.3	-5.4	15.9	5.3	7.7	19.4	-4.8
Cape Charles - Exmore	-7.2	-28.3	711.9	-1.6	N.A.	7.4	N.A.	N.A.	-13.9	15.3
Charlottesville	4.9	6.4	-59.7	-2.4	N.A.	44.3	0.0	-2.7	-3.2	-8.5
Danville	0.0	N.A.	-8.5	-8.9	16.4	-9.4	1.0	-3.9	1.3	5.2
Franklin	1.7	N.A.	-75.3	-16.3	6.4	34.7	N.A.	-18.2	1.8	11.2
Fredericksburg	3.4	-33.6	155.9	N.A.	1.3	35.4	N.A.	-5.4	-2.7	21.0
Harrisonburg	2.1	73.3	61.1	N.A.	2.8	1.5	N.A.	-2.7	3.6	-0.7
Lynchburg	8.3	-37.4	-42.1	-8.3	N.A.	5.0	2.5	-20.3	24.8	-0.7
Newport News - Hampton	6.0	-3.8	184.2	-6.4	10.0	21.6	5.3	0.3	5.5	7.4
Norfolk - Va. Beach - Portsmouth	5.0	-14.7	-16.0	-4.5	7.6	22.7	5.0	-7.0	5.3	2.6
Petersburg	-0.9	5.8	1091.4	N.A.	-19.6	6.7	-2.7	-5.1	1.3	-1.4
Richmond	3.8	-7.0	-36.6	-6.7	4.0	33.6	3.5	-7.0	0.9	2.9
Roanoke	8.3	-22.1	-19.1	-4.2	10.9	3.7	3.9	-9.4	16.3	10.7
Staunton	16.8	36.6	34.6	N.A.	7.9	35.8	N.A.	N.A.	13.5	-9.5
Williamsburg	5.7	74.4	40.0	-1.8	N.A.	28.1	N.A.	8.3	3.2	19.2
Winchester	1.5	7.1	-24.9	-1.2	11.7	14.2	N.A.	6.3	-6.8	9.4

TABLE III Percentage Change January – September from same period last year

CITY	CITY INDEX *	BANK DEBITS *	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV LINAGE	NEW CAR REGISTRATIONS	JAN.-AUG. NON-AGRICULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	JAN.-AUG. RETAIL SALES‡
The State		1.6	28.9	3.4	12.1	18.8	4.3	1.5	8.7	20.1
Alexandria	4.2	26.0	21.3	1.3	N.A.	14.6	5.4	1.7	12.5	24.9
Bristol	16.9	-1.6	63.6	7.4	-0.9	24.1	5.8	17.1	23.6	16.7
Cape Charles - Exmore	-1.1	+3.4	22.7	-3.4	N.A.	29.8	N.A.	N.A.	+6.5	15.8
Charlottesville	4.3	23.1	192.1	7.1	N.A.	14.1	3.7	-3.8	-0.8	21.1
Danville	6.7	N.A.	79.9	2.4	14.5	14.8	2.8	2.7	+4.5	17.0
Franklin	6.6	N.A.	-39.4	5.3	-4.8	29.0	N.A.	-9.1	6.1	18.5
Fredericksburg	11.8	-4.1	7.0	N.A.	6.3	38.2	N.A.	-10.4	9.7	+0.1
Harrisonburg	9.0	43.8	41.0	N.A.	10.8	21.1	N.A.	9.1	9.2	20.1
Lynchburg	12.1	-21.1	-16.1	4.9	N.A.	19.1	3.8	-4.6	16.8	20.1
Newport News - Hampton	6.2	7.7	34.3	3.8	13.4	21.4	5.1	-2.1	11.8	13.4
Norfolk - Va. Beach - Portsmouth	10.1	-1.1	12.6	5.8	11.4	24.5	5.0	0.0	9.6	14.2
Petersburg	2.4	-6.9	128.2	N.A.	-5.7	17.1	-1.8	-7.7	2.8	11.1
Richmond	6.7	2.0	10.6	10.1	13.8	21.1	3.7	0.7	3.8	17.8
Roanoke	12.8	2.8	8.1	4.2	11.0	18.4	3.4	-0.1	10.1	21.1
Staunton	3.9	11.7	12.4	N.A.	4.8	11.7	N.A.	N.A.	8.2	18.2
Williamsburg	6.7	27.1	66.9	8.2	N.A.	17.4	N.A.	9.1	2.9	21.9
Winchester	4.1	11.4	-0.8	3.4	18.7	17.1	N.A.	4.1	1.0	12.4

*Computation of City Index is based upon a weighted arithmetic mean of data (both raw and seasonally adjusted) listed except Building Permits and Bank Debits, which are not used because of their highly erratic nature. Virginia Employment Commission data would be better current reports.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

N.A. – Not Available
N.C. – No Change

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SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE IV

BUILDING PERMITS
Percentage Change
January - September

	1982 - 1983	1983 - 1984	1982 - 1984
The State	52.1	20.9	83.9
Alexandria	174.7	11.1	205.2
Bristol	-1.6	85.6	82.6
Cape Charles - Exmore	160.1	22.7	219.3
Charlottesville	12.8	102.1	138.1
Danville	7.9	79.9	93.3
Franklin	28.0	-36.4	16.6
Fredericksburg	105.8	7.8	120.6
Harrisonburg	239.8	53.2	464.8
Lynchburg	27.6	-16.1	7.0
Newport News - Hampton	16.3	54.5	79.7
Norfolk-Portsmouth- VA Beach	54.8	12.5	74.3
Petersburg	-17.9	318.2	243.3
Richmond	0.9	15.6	16.6
Roanoke	98.5	8.5	116.5
Staunton	27.4	12.4	43.2
Williamsburg	79.5	66.9	194.5
Winchester	-8.4	-5.8	-13.7

NEW CAR REGISTRATIONS
Percentage Change
January - September

	1982 - 1983	1983 - 1984	1982 - 1984
The State	23.0	18.8	46.1
Alexandria	25.3	14.6	43.6
Bristol	38.6	24.1	72.0
Cape Charles - Exmore	30.0	29.5	68.4
Charlottesville	29.8	14.1	46.1
Danville	51.5	14.8	73.9
Franklin	11.3	29.0	43.6
Fredericksburg	26.4	34.2	69.6
Harrisonburg	19.4	12.3	34.1
Lynchburg	41.3	16.5	64.6
Newport News - Hampton	19.8	21.4	46.4
Norfolk-Portsmouth- VA Beach	23.4	18.5	46.8
Petersburg	36.5	15.1	57.1
Richmond	19.0	27.5	51.7
Roanoke	-6.1	18.9	11.6
Staunton	15.0	23.9	43.7
Williamsburg	29.1	17.9	52.9
Winchester	30.6	17.6	53.6

TABLE V

TAXABLE RETAIL SALES
Percentage Change
January - September

	1982 - 1983	1983 - 1984	1982 - 1984
The State	12.6	20.1	35.1
Alexandria	16.2	24.4	46
Bristol	4.0	16.7	21.4
Cape Charles - Exmore	10.6	15.8	28.1
Charlottesville	11.1	23.1	34.5
Danville	8.0	17.3	26.4
Franklin	4.1	18.5	23.4
Fredericksburg	19.5	40.2	67.5
Harrisonburg	46.8	25.5	86.7
Lynchburg	7.1	20.1	28.6
Newport News - Hampton	10.4	16.7	27.6
Norfolk-Portsmouth-VA Beach	14.9	19.2	37.1
Petersburg	14.7	19.1	34.7
Richmond	15.4	17.9	33.4
Roanoke	11.8	21.3	35.6
Staunton	7.2	8.7	15.9
Williamsburg	14.9	15.4	33.2
Winchester	19.7	32.4	58.6

NONAGRICULTURAL EMPLOYMENT
Percentage Change
January - September

	1982 - 1983	1983 - 1984	1982 - 1984
The State	1.5	4.3	5.9
Alexandria	3.5	5.4	9
Bristol	-1.0	3.8	2.8
Cape Charles - Exmore	N.A.	N.A.	N.A.
Charlottesville	4.3	1.7	6.1
Danville	1.6	1.6	3.2
Franklin	N.A.	N.A.	N.A.
Fredericksburg	N.A.	N.A.	N.A.
Harrisonburg	N.A.	N.A.	N.A.
Lynchburg	-1.3	3.6	2.3
Newport News - Hampton	3.9	5.1	9.2
Norfolk-Portsmouth-VA Beach	2.6	5.0	7.8
Petersburg	4.2	-1.8	6.0
Richmond	0.0	2.0	2.1
Roanoke	1.3	3.4	4.7
Staunton	N.A.	N.A.	N.A.
Williamsburg	N.A.	N.A.	N.A.
Winchester	N.A.	N.A.	N.A.

N.A. - Not Available
0.0 - No Change

include cities with very different proportions of manufacturing and nonmanufacturing activity, suggesting Statewide a broad mix of forces lies behind the continued growth being experienced in Virginia.

RLP

The First Three Quarters of 1983 and 1984

The first three quarters of 1984 are now behind us. So, we felt it would be appropriate to review how some of the Virginia economic indicators behaved for that period in 1984 compared to the first three quarters of 1983, and also show the cumulative change since the first three-fourths of 1982 when we still were in the last recession. This review will provide a perspective for next month's article in which we will turn to the prospects for 1985.

Tables IV and V give the cumulative percentage changes for comparable periods in 1983 and 1984, as well as the cumulative change since 1982, for the State and each of the seventeen urban areas we cover. We chose to focus on four variables. Building permits and new car registrations were selected because these typically are leading indicators. Building permits quite logically precede construction spending and the later expenditures to furnish or equip the new houses, offices, stores, or factories. Both building permits and new car registrations represent demand decisions based on a long-term outlook, plus they are sensitive to interest rates which have a large impact on the total cost. Therefore they both generally are leaders in an economic recovery. The behavior of these two variables is detailed in Table IV. The other two variables, whose growth is shown in Table V, are retail sales subject to the Virginia General

Sales and Use Tax (which do not include new car sales); and nonagricultural employment, for the metropolitan areas for which we have cumulative data. The retail sales growth tends to coincide with general economic recovery, but then turn down before a recession begins. Nonagricultural employment growth, on the other hand, typically lags somewhat as a recovery starts, because businesses first increase production with their existing workforce, waiting until the upturn in demand has proven to be continuing and puts pressure on existing resources before they hire substantial numbers of new workers. At peaks in general economic activity, employment growth tends to lead or coincide, since businesses become aware of declines in new orders and lower backlogs and reduce their hiring *before* production actually declines. Therefore these four variables are expected to follow different patternrs over time, providing a set of signals about current conditions and the future.

Looking at the State's performance, the first three quarters of 1983 followed a typical recovery pattern. Building permits and new car registrations were strong leaders, up 52.1 percent and 23.0 percent, respectively. Retail sales rose a lower, but respectable, 12.6 percent. And the laggard was employment growth, which was only 1.5 percent. Virginia employment (on a seasonably adjusted basis) did begin to grow in January 1983, only one month after the national upturn officially began. However, demand had to recover to pre-recession levels before employment began to grow strongly.

By 1984, when the Commonwealth as well as the nation had recovered lost ground and were expanding to new heights, the growth rates changed accordingly. Virginia's growth in building permits slowed to 20.9 percent over the first three quarters of 1984. However, that still was a very strong performance, especially since interest rates began rising in the spring. Remember, too, that the 20.9 percent increase was a gain from the high levels in the same period in 1983, so the cumulative result was building permits for the first three-fourths of 1984 were 83.9 percent above the level for the first three quarters of 1982. The recent high level was a stimulant for the many types of retail sales which follow new construction. The growth in new car registrations also slowed down in the first three quarters of 1984, to 18.8 percent. However, that was much higher growth than expected: high consumer confidence and pent-up demand from the four years 1979-1982, as well as substantial growth in real income, kept consumer durable goods demand well above the norm for this phase of the expansion. Cumulatively, new car registrations to date in 1984 have been 46.1 percent above the same period in 1982.

The broad strength of the expansion this year is most clearly confirmed by the growth rates for retail sales and nonagricultural employment. For these two series, data are only available through August, so all comparisons are for the first eight months of each year. For that period in 1984, retail trade in the Commonwealth grew by 20.1 percent, a sharp acceleration from the 12.6 percent in 1983, and well above the national pace. Therefore for 1984 to date Virginia's retail sales have been 35.2 percent above the same period in 1982. That growth has generated very high gains in retail trade employment, and it also explains some of the continued growth in nonresidential construction as new shopping facilities have been built to accommodate this demand growth. Even more importantly, the overall sustained economic growth in Virginia has produced an employment growth rate so far in 1984 of 4.3 percent, almost three times the growth rate for the same period in 1983. This put employment 5.9 percent above the level for the first eight months of 1982. The income, confidence, and spending plans which accompany this high employment are a major strength sustaining Virginia's current expansion.

Virginia is a sufficiently large and balanced economy for its performance to be similar to the national one. Not parallel, since we definitely have outperformed the nation on nearly all counts, but similar in the direction of growth for most indicators. However, when we move to the individual urban areas, they have quite specific characteristics, strengths and weaknesses. Therefore for these smaller areas, the typical national and State patterns of growth are not likely to be followed as closely, especially during the first seven quarters of a recovery and expansion. If stable national growth is maintained over several years, then smaller areas tend to share in this growth more equally. And, as we noted last month, the performance in many of the State's metropolitan areas is beginning to converge to the overall pattern for the Commonwealth. But, in the last two years, the growth rates in individual urban areas for the four economic variables examined here have varied widely and in some instances followed atypical patterns, as shown in Tables IV and V.

For example, Danville had minimal building permit growth in the first part of 1983, 1.9 percent, but a 7.9 percent advance for the first three quarters of 1984. Cumulatively, the level for the first part of 1984 was 83.3 percent above the same period in 1982, almost exactly the State's growth even though the timing was different. Their new car demand surged during early 1983 at a rate well above the State's, then fell to below-average growth so far in 1984. But, the two-year growth raised the level of new car registrations to 73.9 percent above the same period in 1982, above-average growth. General retail sales growth moved more in tandem with the State pattern, but at lower rates: 8.0 percent for the 1983 period, and 17.0 percent in 1984 to date, yielding cumulative growth of 26.4 percent above the first eight months of 1982. Overall, their above-average ratio of manufacturing employment to total employment, and the lack of growth this year in tobacco and textile manufacturing employment, has held total employment growth to a lower, nonaccelerating pace in spite of rising construction and retail trade activity.

Many other areas, such as Fredericksburg, Newport News, Franklin, Winchester, and Petersburg, have marched to a different drummer in the last two years, with both timing and levels of growth for various indicators that varied substantially from the State and national averages. For these and the other areas reported, we leave it to our readers to compare their area's pattern to the State relationships, consider what specific circumstances produced these results, and weigh the forces at work which are likely to move their area towards a more normal growth pattern in the future.

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